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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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AMENDMENT No. 1  
to  
**FORM 10**

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**GENERAL FORM FOR REGISTRATION OF SECURITIES  
PURSUANT TO SECTION 12(b) OR 12(g) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

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**TopBuild Corp.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**47-3096382**  
(I.R.S. Employer  
Identification No.)

**260 Jimmy Ann Drive**  
**Daytona Beach, Florida**  
(Address of Principal Executive Offices)

**32114**  
(Zip Code)

**(313) 274-7400**  
(Registrant's telephone number, including area code)

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Securities to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class to be so registered</u>	<u>Name of each exchange on which each class is to be registered</u>
Common Stock, \$1.00 par value	New York Stock Exchange, Inc.

Securities to be registered pursuant to Section 12(g) of the Act:  
**None**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated Filer ☐

Non-accelerated filer ☒  
(Do not check if a smaller reporting company)

Smaller reporting company ☐

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**TopBuild Corp. ("TopBuild")**  
**Information Included in Information Statement**  
**and Incorporated by Reference into Form 10**

**Item 1. Business.**

The information required by this item is contained in the sections "Summary," "Risk Factors," "Special Note Regarding Forward-Looking Statements," "The Separation," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business," "Certain Relationships and Related Party Transactions," "Where You Can Find More Information" and "Index to Financial Statements" (and the statements referenced therein) of the information statement. Those sections are incorporated herein by reference.

**Item 1A. Risk Factors.**

The information required by this item is contained in the sections "Summary," "Risk Factors" and "Special Note Regarding Forward-Looking Statements" of the information statement. Those sections are incorporated herein by reference.

**Item 2. Financial Information.**

The information required by this item is contained in the sections "Summary," "Risk Factors," "Special Note Regarding Forward-Looking Statements," "Capitalization," "Unaudited Pro Forma Combined Financial Statements," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Quantitative and Qualitative Disclosures about Market Risk" and "Index to Financial Statements" (and the statements referenced therein) of the information statement. Those sections are incorporated herein by reference.

**Item 3. Properties.**

The information required by this item is contained in the section "Business—Properties" of the information statement. That section is incorporated herein by reference.

**Item 4. Security Ownership of Certain Beneficial Owners and Management.**

The information required by this item is contained in the section "Ownership of our Stock" of the information statement. That section is incorporated herein by reference.

**Item 5. Directors and Executive Officers.**

The information required by this item is contained in the section "Management" of the information statement. That section is incorporated herein by reference.

**Item 6. Executive Compensation.**

The information required by this item is contained in the sections "Executive Compensation Discussion and Analysis" and "Management" of the information statement. Those sections are incorporated herein by reference.

**Item 7. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item is contained in the sections "The Separation—Arrangements with Masco," "Certain Relationships and Related Party Transactions" and "Management" of the information statement. Those sections are incorporated herein by reference.

**Item 8. Legal Proceedings.**

The information required by this item is contained in the section "Business—Legal Proceedings" of the information statement. That section is incorporated herein by reference.

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**Item 9. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.**

The information required by this item is contained in the sections "Summary," "Risk Factors," "The Separation," "Dividend Policy," "Capitalization" and "Description of Capital Stock" of the information statement. Those sections are incorporated herein by reference.

**Item 10. Recent Sales of Unregistered Securities.**

Not applicable.

**Item 11. Description of Registrant's Securities to Be Registered.**

The information required by this item is contained in the section "Description of Capital Stock" of the information statement. That section is incorporated herein by reference.

**Item 12. Indemnification of Directors and Officers.**

The information required by this item is contained in the section "Description of Capital Stock" of the information statement. That section is incorporated herein by reference.

**Item 13. Financial Statements and Supplementary Data.**

The information required by this item is contained in the sections "Summary," "Capitalization," "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Index to Financial Statements" (and the statements referenced therein) of the information statement. Those sections are incorporated herein by reference.

**Item 14. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.**

Not applicable.

**Item 15. Financial Statements and Exhibits.**

**(a) Financial Statements**

The information required by this item is contained in the section "Index to Financial Statements" (and the statements referenced therein) of the information statement. That section is incorporated herein by reference.

**(b) Exhibits**

The exhibits to this Form 10 are as follows:

Exhibit Number	Exhibit Title
2.1†	Form of Separation and Distribution Agreement between Masco Corporation and TopBuild
3.1*	Form of TopBuild Certificate of Incorporation
3.2*	Form of TopBuild Bylaws
4.1*	Form of Specimen Certificate for TopBuild
10.1*	Form of Tax Matters Agreement between Masco Corporation and TopBuild
10.2*	Form of Transition Services Agreement between Masco Corporation and TopBuild
10.3*	Form of Employee Matters Agreement between Masco Corporation and TopBuild
10.4*	Form of Credit Agreement among TopBuild and [ ]

Exhibit Number	Exhibit Title
10.5	Lease Agreement, dated July 11, 2003, by and between Masco Contractor Services Central, Inc., Joseph V. Fisher Two, L.L.C. and Lavern B. Fisher Two, L.L.C.
10.6	First Amendment, dated November 1, 2003, to that certain Lease Agreement, dated July 11, 2003, by and between Masco Contractor Services Central, Inc., Joseph V. Fisher Two, L.L.C. and Lavern B. Fisher Two, L.L.C.
10.7	Assignment and Assumption of Lease Agreement, dated January 1, 2004, by and between Masco Contractor Services Central, Inc. and Masco Administrative Services, Inc., to that certain Lease Agreement, dated July 11, 2003, by and between Masco Contractor Services Central, Inc., Joseph V. Fisher Two, L.L.C. and Lavern B. Fisher Two, L.L.C.
10.8	Second Amendment, dated November 10, 2008, to that certain Lease Agreement, dated July 11, 2003, by and between Masco Contractor Services Central, Inc., Joseph V. Fisher Two, L.L.C. and Lavern B. Fisher Two, L.L.C.
10.9	Third Amendment, dated January 5, 2011, to that certain Lease Agreement, dated July 11, 2003, by and between Masco Contractor Services Central, Inc., Joseph V. Fisher Two, L.L.C. and Lavern B. Fisher Two, L.L.C.
10.10	Lease Agreement, dated August 10, 1999, by and between Service Partners, LLC and Principal Life Insurance Company.
10.11	First Amendment, dated October 15, 1999, to that certain Lease Agreement, dated August 10, 1999, by and between Service Partners, LLC and Principal Life Insurance Company.
10.12	Second Amendment, dated March 8, 2000, to that certain Lease Agreement, dated August 10, 1999, by and between Service Partners, LLC and Principal Life Insurance Company.
10.13	Third Amendment, dated August 1, 2000, to that certain Lease Agreement, dated August 10, 1999, by and between Service Partners, LLC and Principal Life Insurance Company.
10.14	Fourth Amendment, dated June 2, 2003, to that certain Lease Agreement, dated August 10, 1999, by and between Service Partners, LLC and Principal Life Insurance Company.
10.15	Fifth Amendment, dated February 15, 2008, to that certain Lease Agreement, dated August 10, 1999, by and between Service Partners, LLC and Principal Life Insurance Company.
10.16	Sixth Amendment, dated February 5, 2013, to that certain Lease Agreement, dated August 10, 1999, by and between Service Partners, LLC and Principal Life Insurance Company.
21.1 *	Subsidiaries of the Registrant
99.1	Preliminary Information Statement, subject to completion, dated April 10, 2015

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\* To be filed by amendment.

† Previously filed.

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**SIGNATURE**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

TopBuild Corp.

By: /s/ JOHN G. SZNEWAJS

Name: John G. Sznewajs

Title: *President and Treasurer*

Date: April 10, 2015

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## EXHIBIT INDEX

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21.1*	Subsidiaries of the Registrant
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## QuickLinks

[TopBuild Corp. \("TopBuild"\) Information Included in Information Statement and Incorporated by Reference into Form 10](#)

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[SIGNATURE](#)

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**LEASE AGREEMENT**

THIS LEASE AGREEMENT ("Lease") is made as of July 11, 2003, between JOSEPH V. FISHER TWO, L.L.C., a Florida limited liability company and LAVERN B. FISHER TWO, L.L.C., a Florida limited liability company (collectively, "Landlord"), and MASCO CONTRACTOR SERVICES CENTRAL, INC., a Florida corporation ("Tenant").

**Data Sheet**

The following terms shall have the meanings set forth in this section unless otherwise specifically modified by provisions of this Lease:

- (a) "Premises": The land and improvements, including the approximately 63,404 square foot (40,000 office and 23,404 warehouse) building (the "Building"), located at 260 Jimmy Ann Drive, Daytona Beach, Florida, as more particularly described on the attached Exhibit A-1.
- (b) "Commencement Date": November 1, 2003.
- (c) "Expiration Date": February 28, 2009.
- (d) "Term": Five (5) years and four (4) months, subject to extension pursuant to Section 2.3.
- (e) "Base Rent": See attached Exhibit B.
- (f) "Permitted Uses": Office and warehouse and for purposes incidental thereto.
- (g) Notice and Payment Addresses:

Landlord: Joseph V. Fisher Two, L.L.C. and  
Lavern B. Fisher Two, L.L.C.  
Attention: Joseph V. Fisher  
1100 Ocean Drive  
Summerland Key, FL 33042

Tenant: Masco Contractor Services Central, Inc.  
2339 Beville Road  
Daytona Beach, FL 32119  
Attention: Greg Burleson

with a copy to: Masco Corporation  
21001 Van Born Road  
Taylor, MI 48180  
Attention: General Counsel

**ARTICLE I**  
**DEMISE/CONDITION OF PREMISES**

1.1 **Demise.** Landlord leases the Premises to Tenant and Tenant rents the Premises from Landlord for the Term in accordance with the provisions of this Lease. Landlord also grants to Tenant the exclusive right to use 196 parking spaces in the Exclusive Rights Area depicted on the attached Exhibit A-3 and the non-exclusive right to use the other parking lots, driveways and other common areas (the "Common Areas") associated with the building adjoining the Premises (the "Shopping Center Building") and located on the adjoining parcel (the "Shopping Center Parcel") as described on the attached Exhibit A-2 and depicted on the attached Exhibit A-3 (the Premises and the Shopping Center Parcel are sometimes collectively referred to as the "Project"); provided, however, Landlord shall not be obligated to enforce such exclusive parking rights although Tenant may do so at its expense, including erecting signs and/or marking the parking blocks or bumpers. Joseph V. Fisher, L.L.C., a Florida limited liability company ("Shopping Center Owner"), as owner of the Shopping Center Parcel, (a) has executed this Lease in order to evidence its consent to (i) the rights granted to Tenant pursuant to this Section 1.1 and the sharing of Common Area Charges pursuant to Article IV, and (b) acknowledge that in the event of a conflict between the terms of this Section 1.1 and/or Article IV of this Lease and the provisions of the Reciprocal Easement Agreement dated December 19, 1979 (recorded in Book 2133, Page 1042, Volusia County Records) between the prior owners of the Premises and the Shopping Center Parcel, the terms of this Lease shall govern and control. Shopping Center Owner and Landlord also agree that the Reciprocal Easement Agreement shall not be terminated or materially modified during the Term of this Lease. Notwithstanding the foregoing, Tenant agrees that Landlord shall have the right to lease the entire 23,404 square feet of warehouse space in the Building to Wal-Mart provided (i) the tenant vacates such space (broom-clean and in good operating condition and repair) no later than October 4, 2003, and (ii) beginning on the date on which this Lease is fully executed, Landlord grants to Tenant, without charge, (A) the exclusive right to use the remainder of the Building for the storage of construction and building materials, and (B) the non-exclusive right to use two dock-high loading doors at the rear of the warehouse (Landlord shall promptly remove the dumpster from in front of such doors).

1.2 **Condition of Premises.** Landlord shall complete the work described on the attached Exhibit C (the "Landlord Improvements") in a good and workmanlike manner and in accordance with the provisions of the attached Exhibit B and all applicable codes, laws, ordinances and regulations. If the Landlord Improvements have not been substantially completed on or before August 15, 2003, then Tenant shall have the right to complete the Landlord Improvements and Landlord shall reimburse Tenant for all reasonable costs and expenses expended by Tenant in connection therewith within fifteen (15) days after Landlord receives Tenant's written itemized statement. If Landlord fails to so reimburse Tenant, then Tenant shall have the right to set off such amounts (plus interest thereon at the Default Rate) against the next ensuing rent payments until Tenant has been fully reimbursed.

Upon execution of this Lease, Tenant, its employees, agents and contractors shall have the right to enter upon the Premises prior to the Commencement Date for the purpose of performing such improvements and alterations as Tenant requires for its use of the Premises, including installing racking, networking and telephone wiring, cabling and equipment and other special equipment, all of



are unable to agree upon the plans and specifications for the Tenant Improvements on or before August 31, 2003, Tenant shall have the right to terminate this Lease by written notice to Landlord. Subject to Section 10.1E of this Lease, Tenant shall have the right to use the Premises prior to the Commencement Date to the extent permitted by any temporary certificate of occupancy or applicable codes, laws, ordinances and regulations. With respect to all warranties received by Landlord that relate to any items that Tenant is obligated to maintain or repair, Landlord shall assign such warranties to Tenant to the extent such warranties are assignable, and to the extent such warranties are not assignable, Landlord shall enforce such warranties promptly after receiving Tenant's request for same.

## **ARTICLE II**

### **TERM**

2.1 **Commencement and Expiration.** The Term shall begin on the Commencement Date specified in the Data Sheet and shall end at 11:59 PM on the Expiration Date specified in the Data Sheet unless extended as provided below. Unless otherwise specified herein, the "Term" shall mean the term of this Lease, including any extensions or renewals thereof, and specifically including the Extended Term(s).

2.2 **Rent Prorations.** If the Commencement Date is other than the first day of a calendar month, rent for the period from the Commencement Date to the end of the month shall be prorated on a daily basis. Similarly, rent for any partial month at the end of the Term shall be prorated on a daily basis.

2.3 **Extension.** Tenant shall have one (1) option to extend the Term for a period of two (2) years and then four (4) additional options to extend the Term for a period of one (1) year each (the "Extended Term(s)") on the same terms presently contained in this Lease, except that the Base Rent shall be as provided on Exhibit B. Each such option shall be exercisable by Tenant by giving written notice to Landlord of its election to extend at least three (3) months before the expiration of the then-current Term. Tenant shall be entitled to exercise each option only if at the time of exercise this Lease is in full force and effect and Tenant is not in default hereunder beyond any applicable notice and cure period.

## **ARTICLE III**

### **RENT**

3.1 **Base Rent.** Tenant shall pay to Landlord, without setoff, deduction or demand, except as otherwise expressly set forth herein, Base Rent in equal monthly installments in advance on or before the first day of each month during the Term.

3.2 **Additional Base Rent.** Landlord shall pay the first \$500,000 of the cost of the Tenant Improvements provided for in Section 1.2 and Tenant shall pay any costs for the Tenant Improvements in excess of \$500,000. Tenant shall repay to Landlord, in the form of monthly

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installments of Additional Base Rent, the amount by which the cost of the Tenant Improvements exceeds \$115,000 (which shall be paid by Landlord without reimbursement by Tenant), up to and including \$500,000, for a maximum reimbursement to Landlord of \$385,000. The monthly installments of Additional Base Rent shall be determined by amortizing the reimbursable amount at an annual rate of six percent (6%) over the initial Term of the Lease (excluding the Extended Terms). Landlord and Tenant shall enter into an Amendment to this Lease that sets forth the amount of the reimbursement and the amount of the monthly Additional Base Rent payments. No Additional Base Rent shall be due during the Extended Terms.

3.3 **Rent.** For purposes of this Lease, the term "Rent" shall include Base Rent, Additional Base Rent and all other amounts payable by Tenant to Landlord pursuant to this Lease. All Rent payments shall be subject to applicable Florida sales tax.

## **ARTICLE IV**

### **ADDITIONAL CHARGES**

#### **4.1 Definitions.**

A. For purposes of this Lease, "Taxes" shall mean real estate taxes relating to the Premises (which Landlord represents to Tenant are separately assessed from the remainder of the Project) and payable during any calendar year in which any part of the Term falls, subject to the following exceptions:

- i. "Taxes" shall not include any transfer, franchise, income, estate or inheritance taxes imposed on Landlord or any general or special assessments except to the extent such assessments are attributable to or caused by additions, improvements, expansions or other modifications made to the Premises by or for Tenant.
- ii. With respect to any Taxes payable in annual installments, "Taxes" shall include with respect to any year only the minimum amount payable during that year.
- iii. "Taxes" shall not include increases in Taxes attributable to or caused by additions, improvements, expansions or other modifications to the Premises or the premises of other tenants of the Project (other than those that are made to the Premises by or for Tenant).
- iv. To the extent the Taxes cover periods beginning earlier than the Commencement Date or extending later than the expiration or termination of this Lease, such Taxes shall be prorated to cover the Term only.

Landlord shall provide a copy of all tax bills to Tenant promptly after receipt by Landlord. In the event that Landlord does not elect to prosecute an appeal or other suit for relief relating to the Taxes or the assessed value of the Premises ("Appeals") for a particular year, Tenant shall have the right (but not the obligation) to prosecute, in its own name or in Landlord's name, and Landlord shall cooperate with Tenant in, such Appeals. Any refunds or credits received as a result of any Appeals shall be applied first to the reasonable costs and expenses incurred by the appealing party in prosecuting such Appeals and any remaining balance shall be allocated between Landlord and

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Tenant based on the portion of the original Taxes paid by each of them from which the refund or credit was derived.

B. For purposes of this Lease, "Common Area Charges" shall mean the cost of operating and maintaining the Common Areas (whether incurred by Landlord or Shopping Center Owner), including but not limited to the cost of landscaping, lighting, painting, policing, securing, inspecting, repairing and/or replacing all or any part of the Common Areas. Notwithstanding the foregoing, (i) if Landlord or Shopping Center Owner is required to capitalize any of the foregoing items set forth in this Section 4.1B for Federal income tax purposes, only the annual amortization shall be included in such Common Area Charges during any calendar year, and (ii) the Common Area Charges set forth in this Section 4.1B shall not include:

- (a) any cost or expense associated with the acquisition or original construction of the Premises or the Project or any subsequent improvement or expansion of same;

- (b) any cost or expense associated with compliance with any governmental requirement regarding Hazardous Substances located in, on or under the Premises, the Building, the Shopping Center Parcel or improvements, including, but not limited to, the removal, encapsulation, disposal or remediation of Hazardous Substances;
- (c) interest, late charges and penalties on any charges payable by Landlord that are included within Common Area Charges;
- (d) management fees in excess of three (3%) percent of the gross receipts of the Project.
- (e) any taxes or assessments payable by Landlord;
- (f) debt service on any mortgages of Landlord and rental under any ground or underlying lease and charges and fees incurred by Landlord in connection with the procurement and recording of any such mortgage or ground or underlying lease;
- (g) wages, salaries and benefits and/or management and/or administrative fees; and
- (i) costs, fines or penalties incurred due to violations by Landlord of any governmental law, rule or regulation and defense of same.

C. For purposes of this Lease, "Insurance Costs" shall mean Landlord's premiums for the insurance on the Building and other improvements located on the Premises that Landlord is required to carry pursuant to Paragraph 6.1C of this Lease, which Landlord represents are separately invoiced and applicable with respect to the Premises only.

D. For purposes of this Lease, "Tenant's Proportionate Share" shall be computed based on the ratio that the total leasable ground floor area of the Building bears to the total leasable ground floor area of the buildings in the Project. As of the date of this Lease, Tenant's Proportionate Share is 41%.

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4.2 Payment. Tenant shall pay as Additional Rent to Landlord, without setoff, deduction or demand, except as expressly set forth herein, (a) Taxes and Insurance Costs within ten (10) days after receipt of an invoice therefor from Landlord, together with copies of the supporting documentation, and (b) Tenant's Proportionate Share of Common Area Charges, in equal monthly installments as provided in the next sentence, at the same time and in the same manner as Base Rent. Landlord shall reasonably estimate the total annual Common Area Charges and Tenant shall pay one-twelfth (1/12) of Tenant's Proportionate Share of such Charges to Landlord, which shall be held in escrow and applied to such Charges as they become due. If the amount held by Landlord is not sufficient to pay such Common Area Charges for the year in question, Tenant shall pay to Landlord the difference between Tenant's total payments and Tenant's Proportionate Share of the actual Charges for that particular year within ten (10) days after written notice by Landlord. If the amount held by Landlord exceeds the amount required to pay the Charges for a single year, any excess shall be refunded to Tenant or credited against the next payments coming due, at Tenant's election. Landlord shall not be required to pay any interest on the money so held. Landlord shall provide a reasonably detailed annual statement and reconciliation of the Common Area Charges (together with copies of the supporting documentation)(the "Annual Statement") to Tenant within thirty (30) days after the end of each calendar year. Tenant shall have the right to inspect and/or audit Landlord's books and records with respect to Common Area Charges, Taxes and Insurance Costs upon thirty (30) days prior written notice to Landlord but not later than 120 days after Tenant's receipt of the Annual Statement for a particular year. In the event such audit reveals an overpayment by Tenant in excess of three (3%) percent of Tenant's annual payment of the Common Area Charges, Landlord shall pay (or reimburse Tenant for) the cost of such audit.

4.3 Taxes on Tenant's Personal Property. Prior to delinquency, Tenant shall also pay as Additional Rent, directly to the applicable taxing authorities, all taxes assessed against or attributable to Tenant's personal property, including machinery and equipment, located at the Premises.

## **ARTICLE V**

### **QUIET ENJOYMENT**

Landlord represents and warrants to Tenant that (a) Landlord is the legal owner of the Premises, (b) Landlord has the right to make this Lease, and (c) Tenant shall be entitled to peaceably and quietly enjoy the Premises and the Common Areas without hindrance or interference by any person or entity whatsoever, subject to and in accordance with the provisions of this Lease.

## **ARTICLE VI**

### **INSURANCE, INDEMNITY AND RELEASES**

#### **6.1 Insurance.**

A. Tenant shall, at its expense, keep its personal property located at the Premises insured against loss or damage by fire and such other risks as are included in a standard "all risks" policy, including, without limitation, windstorms, hail, explosions, vandalism, theft, malicious mischief, civil commotion, water damage, sprinkler leakage and floods.

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B. Tenant shall, at its expense, maintain comprehensive general liability insurance against claims for personal injury, death or property damage occurring at the Premises, to the limits of at least \$1,000,000 per occurrence, with Landlord and any mortgagees of the Premises being named thereon as additional insureds.

C. Landlord shall, at its expense, keep the Building and other improvements located on the Premises (other than Tenant's personal property) insured for their full replacement value against loss or damage by fire and such other risks as are included in a standard "all risks" policy, including, without limitation, windstorms, hail, explosions, vandalism, theft, malicious mischief, civil commotion, water damage, sprinkler leakage and floods. Tenant shall pay the Insurance Costs with respect to the Premises in accordance with Section 4.2. Tenant shall have the option to obtain competitive bids for Landlord's insurance for the Premises at any time during the Term and Landlord agrees to obtain such insurance from the insurance company offering the lowest premiums provided the coverage is comparable.

D. Insurance policies maintained pursuant to this Article shall be written by companies authorized to do business in the state of Florida.

6.2 Release. Tenant and Landlord each hereby waives, releases and discharges Landlord and Tenant, respectively, and their respective officers, employees, directors and agents (the "Released Parties"), from any loss, liability, damage, suit, claim, action, fine, penalty, cost or expense, including reasonable attorney fees (collectively, "Loss"), arising out of damage to or destruction or loss of use of property caused by theft, casualty or any other cause whatsoever, to the extent of the insurance proceeds received by the releasing party (or which would have been received had such party carried the insurance that it is required to carry under this Lease) with respect to such Loss. This paragraph shall not affect the parties' repair obligations under other provisions of this Lease. Insurance policies maintained pursuant to this Article for loss or damage by fire or other risks shall permit the foregoing release of liability and include a waiver of subrogation clause as to the Released Parties.

6.3 Tenant's Indemnity. Except to the extent caused by or resulting from the negligence or willful act of any of the Tenant Indemnified Parties, or a breach of this Lease by Landlord, Tenant shall indemnify and hold harmless Landlord, its officers, employees, directors and agents (the "Tenant Indemnified Parties") against and in

respect of any Loss to the extent relating to or arising out of Tenant's use of or operations or activities on the Premises during the Term, including environmental contamination (or aggravation of existing environmental conditions) of the Premises or the Common Areas, the groundwater of the Premises or the Common Areas, or adjoining properties. If an action or proceeding is brought against any Tenant Indemnified Party by reason of any such Loss, Tenant, upon receipt of notice from such Tenant Indemnified Party, shall resist or defend the action or proceeding with counsel reasonably satisfactory to Landlord. This indemnity by Tenant shall survive the expiration or termination of this Lease.

6.4 Landlord's Indemnity. Except to the extent caused by or resulting from the negligence or willful act of any of the Landlord Indemnified Parties, or a breach of this Lease by Tenant, Landlord shall indemnify and hold harmless Tenant, its officers, employees, directors and agents (the "Landlord Indemnified Parties") against and in respect of any Loss to the extent relating to or arising

out of the use of or operations or activities on the Premises or the Common Areas by Landlord, any third party and/or any prior owners, tenants or occupants prior to or during the Term, including environmental contamination (or aggravation of existing environmental conditions) of the Premises or the Common Areas, the groundwater of the Premises or the Common Areas, or adjoining properties. If an action or proceeding is brought against any Landlord Indemnified Party by reason of any such Loss, Landlord, upon receipt of notice from such Landlord Indemnified Party, shall resist or defend the action or proceeding with counsel reasonably satisfactory to Tenant. This indemnity by Landlord shall survive the expiration or termination of this Lease.

6.5 Environmental. Notwithstanding the foregoing or any provision of this Lease to the contrary, (a) Tenant's obligation to clean up the Premises or to remediate any contamination shall not require Tenant to perform such clean-up or remediation to standards more stringent than the then-current applicable governmental regulations and clean-up standards for industrial properties with respect to hazardous, toxic or radioactive substances, materials or wastes ("Hazardous Substances"); (b) Tenant shall not have any responsibility or obligation for clean-up, remediation, defense or indemnification with respect to any Hazardous Substances, except to the extent such Hazardous Substances are caused by the operations of Tenant at the Premises during the Term; and (c) Landlord shall indemnify, defend (with counsel reasonably satisfactory to Tenant) and hold harmless Tenant from and against any and all Loss arising from or out of the presence, discharge, generation, removal, transportation, treatment, disposal, release or remediation of Hazardous Substances in, on, under or from the Premises or the Common Areas (including the groundwater of same) except to the extent caused by the operations of Tenant at the Premises during the Term.

## **ARTICLE VII**

### **ALTERATIONS AND IMPROVEMENTS**

7.1 Consent Required. Tenant shall not make any improvements, alterations, additions or installations in or to the Premises ("Work") without Landlord's prior written consent, which shall not be unreasonably withheld. Such Work shall be deemed part of the Premises and Tenant shall not be obligated to remove such Work unless Tenant elects to remove it. Landlord's consent shall not be required for, and Tenant shall not be obligated to remove, ordinary maintenance and repair or nonstructural alterations to the Premises, the cost of which is less than \$10,000 per occurrence. Tenant shall indemnify, defend and hold harmless Landlord from any and all costs, expenses, claims and liability connected with the Work. For purposes of this Lease, the "structural portions" of the Premises and the Building shall mean the foundation, floor, roof, exterior walls and skin, and load bearing walls and columns.

7.2 Compliance and Quality. All Work shall comply with all applicable laws and insurance requirements and shall be performed in a good and workmanlike manner.

7.3 Removal. Except as provided in Section 7.1, Landlord, by notice to Tenant, may require Tenant at any time to remove any improvements or alterations made by Tenant without Landlord's consent, and Tenant shall repair any damage to the Premises caused by such removal.

## **ARTICLE VIII**

### **MAINTENANCE AND REPAIR**

8.1 Tenant shall perform reasonable and customary maintenance of the Premises during the Term of this Lease, including maintaining periodic service agreements for and performing customary maintenance of the electrical and plumbing systems, the fire sprinkler or other fire suppression system and the HVAC system (the "Systems"); provided, however, Tenant shall not be obligated to perform any repairs, replacements or maintenance of the structural portions of the Premises (other than such items as shall be installed by Tenant) or make any replacements of or capital repairs to the Systems (other than such items as shall be installed by Tenant or Landlord during the Term), all of which shall be performed by Landlord at its expense. Landlord, its employees and agents shall have the right to inspect the Premises at all reasonable times upon reasonable advance notice to confirm Tenant's use of the Premises and compliance with this Lease.

8.2 Except for the maintenance to be performed by Tenant pursuant to Section 8.1, Landlord shall, at its expense, perform all maintenance, repair and replacement of the Premises and the Common Areas as are necessary, in Landlord's reasonable business judgment, to keep the same in good order, condition and repair, reasonable wear and tear excepted, including keeping the parking lots, driveways and sidewalks free of ice, snow and other conditions that are or may become unsafe. In addition, Landlord shall, at its expense, keep the Premises and the Common Areas in such repair as may be necessary to avoid the imposition of any fine or lien by any governmental authority as a result of physical deterioration of the Premises and/or the Common Areas.

8.3 At the expiration or earlier termination of this Lease, Tenant shall deliver the Premises to Landlord in substantially the same condition as the Premises existed on the date hereof, except that Tenant's obligation will be subject to, and Tenant will not be obligated to repair or remove (a) reasonable wear and tear, (b) damage caused by any insured casualty, (c) damage caused by the negligence, act or omission of Landlord or its officers, employees, contractors or agents, or by the breach of this Lease by Landlord, (d) the Tenant Improvements and other permitted alterations for which Landlord's consent is not required or which are not expressly conditioned upon a written requirement for removal at the time Landlord's consent to allow such alterations is given, and (e) damage caused by a taking by any governmental authority.

## **ARTICLE IX**

### **ASSIGNMENT AND SUBLETTING**

9.1 Consent Required. Tenant shall not, without Landlord's prior written consent, which shall not be withheld unreasonably: (a) assign this Lease or any interest under it other than for security purposes, (b) sublet the Premises or any part of it, or (c) permit the use of the Premises by any parties other than Tenant, its agents and employees. Except for assignments permitted pursuant to Section 9.2 below, Tenant shall notify Landlord at least ten (10) days before any proposed assignment or subletting.

9.2 Permitted Assignments. Notwithstanding the provisions of Section 9.1 or any other provision of this Lease to the contrary, Tenant shall have the right, without (a) Landlord's consent, (b) current or future compensation to Landlord, (c) reimbursement of any expense incurred by

Landlord, or (d) triggering any termination or other rights of Landlord, to transfer or assign this Lease or sublet any portion or the whole of the Premises to (i) Masco Corporation, Masco Building Products Corp. or Masco Corporation of Indiana (each a "Masco Company"), (ii) any wholly-owned or substantially wholly-owned direct or indirect subsidiary corporation of either Tenant or a Masco Company, (iii) any corporation succeeding to all or substantially all of the assets of Tenant as a result of a consolidation or merger, (iv) an entity (or a direct or indirect subsidiary of an entity) to which all or substantially all of the assets of Tenant or Tenant's operation at the Premises have been sold, or (v) an entity (or a direct or indirect subsidiary of an entity) to which all or substantially all of the voting capital stock of Tenant has been sold. If this Lease is transferred or assigned to a subsidiary or affiliate corporation of Tenant pursuant to the foregoing, a subsequent sale of all or substantially all of the assets or voting capital stock of such transferee or assignee shall not be deemed to be a transfer or assignment of this Lease which requires Landlord's consent. Tenant shall be released from all liability accruing under this Lease after the effective date of any such transfer or assignment.

9.3 Documentation. Other than the assignments, transfers or subleases permitted pursuant to Section 9.2, subtenants or assignees shall agree in a form reasonably satisfactory to Landlord to comply with and be bound by all provisions of this Lease to the extent of the Premises and amount of the Term sublet or assigned and Tenant shall deliver to Landlord promptly an executed copy of each sublease or assignment and an agreement of compliance from each subtenant or assignee. Landlord's consent to any assignment or sublease shall not be a waiver of Landlord's rights under this Article as to any subsequent assignment or sublease.

9.4 Effect of Assignments. Any sale, assignment, mortgage, transfer or sublease of the Premises by Tenant not in compliance with this Article shall be voidable by Landlord at its option.

## **ARTICLE X**

### **ADDITIONAL COVENANTS OF TENANT**

10.1 Tenant agrees that it shall

A. Use. Use the Premises only for Permitted Uses and not for the storage of Hazardous Substances (other than insulation and other materials used by Tenant in the ordinary course of its business) or for any other purpose without Landlord's prior consent, which shall not be withheld unreasonably.

B. Sidewalks. Not encumber or obstruct any sidewalks adjoining the Building, nor allow them to be obstructed or encumbered, nor place anything on the sidewalks without Landlord's prior consent.

C. Refuse. At its expense, keep the Premises clean and remove all refuse resulting from Tenant's operations.

D. Notice of Conditions. Promptly report to Landlord in writing any defective condition in the Premises known to Tenant.

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E. Utilities. Commencing on the date that Wal-Mart vacates the warehouse portion of the Premises, pay any charges for utility services furnished to the Premises.

F. Insurance. Not do or permit any act or condition in the Premises that would invalidate or conflict with any certificate of occupancy or insurance policy covering the Premises or that would otherwise make insurance unavailable. Tenant shall, at its expense, comply with all requirements of the National Board of Fire Underwriters, local rating bureaus, and any other similar body having jurisdiction.

G. Liens. At its expense, cause to be discharged or bonded over within thirty (30) days after filing any construction lien claim filed against the Premises for work or materials claimed to have been performed for or furnished to or on behalf of Tenant. Notwithstanding the foregoing, Tenant shall have the right to contest any such liens in good faith and shall not be obligated to discharge or bond against such liens, and Landlord shall not be entitled to discharge such liens on behalf of Tenant, unless and until the earlier of (i) the date on which the lien claimant obtains a final judgment with respect to its lien, or (ii) the date on which the discharge of such lien is required in order to consummate an arms-length sale or refinancing of the Premises to or by an unrelated third party.

H. Laws. At its expense, comply with all laws and orders of governmental authorities that impose any duty on Tenant arising from Tenant's use of the Premises, conditions created by or at the instance of Tenant, or a breach of any of Tenant's obligations under this Lease. Notwithstanding the foregoing, Tenant shall not be responsible for complying with any such laws or orders, including but not limited to the Americans With Disabilities Act, as amended, which may require structural alterations or additions to the Premises, all of which shall be the obligation of Landlord at its sole cost and expense; provided, however, Tenant shall comply with all such applicable laws and orders with respect to the Tenant Improvements and any other alterations or improvements made to the Premises by Tenant (including Work pursuant to Section 7.1). Without limiting the generality of the foregoing, Landlord, at its sole cost and expense, shall be responsible for complying with the applicable provisions of the Americans With Disabilities Act and the Regulations and Accessibility Guidelines for Buildings and Facilities issued pursuant thereto, as same may be amended (collectively, the "ADA"), relating to (i) the Landlord Improvements, (ii) the structural portions of the Premises, and (iii) the Common Areas (collectively, "Landlord's Work"). Landlord shall indemnify, defend and hold harmless Tenant from and against any Loss in connection with or resulting from compliance or non-compliance with the provisions of the ADA relating to Landlord's Work.

I. Landlord's Right of Access. Give Landlord and its agents, employees, lessors, mortgagees and any other persons authorized by Landlord access to the Premises, at all reasonable times upon reasonable advance notice and at any time in an emergency, to (i) inspect the Premises, show the Premises for sale, or make repairs, additions or alterations, or (ii) show the Premises for lease during the last three (3) months of the Term only.

10.2 Tenant agrees that the covenants set forth in this Lease, including those set forth in Section 10.1, shall be binding upon Tenant, its subtenants and assignees, and their respective employees, agents and invitees, and that Tenant shall be liable for the breach of such covenants by

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any of such persons or entities to the same extent that Tenant would be liable for its breach of such covenants.

## **ARTICLE XI**

### **DAMAGE BY FIRE OR OTHER CASUALTY**

In the event of fire or other casualty to the Premises, the Rent shall be abated entirely if twenty-five percent (25%) or more of the interior floor space of the Building shall be damaged, but if less than twenty-five percent (25%) of the interior floor space shall be damaged, the Rent shall abate pro rata in direct proportion to the part of the Building that shall then be unsuitable for Tenant's use. Subject to Tenant's termination rights pursuant to the next sentence, Landlord shall be required to restore the Premises as soon as possible, using due diligence. In the event that (a) the Premises shall not be restorable, (b) the restoration shall not have been commenced within thirty (30) calendar days after such casualty, or (c) full restoration shall not have been completed within ninety (90) calendar days after such casualty, then, in any such event, Tenant shall have the right to terminate this Lease effective immediately by written notice to Landlord. In the event this Lease is terminated pursuant to this Article XI or Article XII below, the Rent shall be apportioned between Landlord and Tenant as of the date of the casualty or taking, as applicable.

**ARTICLE XII**  
**EMINENT DOMAIN**

12.1 **Definition.** "Eminent domain" shall include the exercise of the power of eminent domain or condemnation or any similar governmental power and any purchase or other acquisition in lieu of condemnation.

12.2 **Termination.** On an exercise of the power of eminent domain affecting the Premises or the Common Areas, Tenant may terminate this Lease by notice to Landlord within thirty (30) days after the date of the taking, specifying a termination date at least thirty (30) days after the date of the notice, if as a result of the taking so much of the Premises or the Common Areas is taken that the Premises are rendered unsuitable or the Common Areas inadequate for the purposes intended under this Lease.

12.3 **Damages.** All damages awarded for any taking of the fee and leasehold interests in the Premises shall belong to Landlord. Tenant may prove in any proceedings and receive a separate award for any other condemnation awards available under applicable law. If any damages are paid to Landlord and Tenant does not elect to terminate this Lease as provided above, the Rent will be equitably adjusted based on the portion of the Premises taken.

**ARTICLE XIII**  
**DEFAULTS AND REMEDIES**

13.1 **Defaults.** Tenant shall be in default under this Lease if:

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A. Tenant fails to pay to Landlord any payments due under this Lease when due and such nonpayment continues for ten (10) days after written notice of delinquency from Landlord to Tenant; or

B. Tenant fails to perform any of Tenant's other obligations under this Lease and such nonperformance continues for thirty (30) days after written notice from Landlord to Tenant; provided, however, that if such default cannot reasonably be cured within such thirty (30) day period, Tenant shall not be in default if it commences the cure thereof within such thirty (30) day period and thereafter diligently pursues such cure to completion; or

C. Tenant becomes the subject of, whether voluntarily or involuntarily, a petition in (i) bankruptcy or insolvency, or (ii) for liquidation, reorganization or involuntary dissolution, or (iii) for the appointment of a receiver or trustee of all or any of Tenant's property, or Tenant makes an assignment for the benefit of creditors or petitions for or enters into an arrangement with creditors, except that in an involuntary situation, no default shall exist unless the petition or appointment is not dismissed within ninety (90) days.

13.2 **Landlord's Performance of Tenant's Obligations.** In case of a nonmonetary default by Tenant, without waiving or releasing Tenant from any obligations, Landlord may remedy the default for the account and at the expense of Tenant, immediately and without notice in case of emergency, but in any other case only after Tenant's failure to remedy the default after notice and expiration of any applicable cure period.

13.3 **Interest Charges.** Any Rent, and any expenditures or obligations incurred for the payment of money in connection with either party's default, including but not limited to reasonable attorney fees and expenses incurred in instituting, prosecuting or defending any action or proceeding, or other amounts owing from one party to the other under this Lease, which are not paid within five (5) days after the due date, shall bear interest from the date due until paid at the lesser of (a) two (2) percentage points in excess of the prime rate of interest published in The Wall Street Journal, adjusted from time to time as this prime rate changes, or (b) the highest rate of interest permitted in the state where the Premises is located for similar obligations (the lesser of such rates being the "Default Rate").

13.4 **Remedies.** In the event of a default by Tenant under this Lease, (a) Landlord shall be entitled to enter upon the Premises and evict Tenant in accordance with applicable law, accelerate all Rent due under this Lease through the end of the Term and/or exercise any and all remedies available under applicable law, and (b) Tenant shall pay to Landlord all costs and expenses, including reasonable attorney fees, incurred by Landlord in exercising its remedies or enforcing its rights under this Lease.

13.5 **Default by Landlord.** To the extent Landlord is obligated under this Lease to pay any amounts, maintain or repair any portion of the Premises, or to perform any other obligation under this Lease, and Landlord fails to make such payment and/or perform such maintenance, repair or other obligation within thirty (30) days after receipt of written notice from Tenant of the necessity therefor (or within such shorter period of time, if any, as is reasonable in the event of an emergency), Tenant may make such payment or perform such maintenance, repair or other obligation, and

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Landlord shall reimburse Tenant for all reasonable costs and expenses expended by Tenant in connection therewith within fifteen (15) days after Landlord receives Tenant's written itemized statement. If Landlord fails to so reimburse Tenant, in addition to any other remedies available under applicable law, Tenant shall have the right to set off such amounts (plus interest thereon at the Default Rate) against the next ensuing rent payments until Tenant has been fully reimbursed.

**ARTICLE XIV**  
**SURRENDER OF PREMISES; HOLDOVER**

14.1 **Surrender.** On the Expiration Date or on sooner termination of this Lease, Tenant shall peaceably surrender the Premises in good order and in a condition consistent with Article VIII. On or before the Expiration Date or on the date of sooner termination of this Lease, Tenant shall, at its expense, remove from the Premises all property owned by or in the custody of Tenant and all property not timely removed shall be deemed abandoned. Tenant appoints Landlord its agent to remove Tenant's property from the Premises on termination of this Lease and to arrange for transportation and storage of Tenant's property for Tenant's benefit, all at Tenant's sole cost and risk, and Landlord shall not be liable for damage, theft, misappropriation, loss or in any other manner except to the extent due to the negligence or wilful act of Landlord, its officers, employees, directors or agents. Tenant shall reimburse Landlord on demand for any reasonable expenses incurred by Landlord with respect to demolition, removal, transportation or storage of abandoned property. Tenant shall promptly surrender at the place then fixed for the payment of Rent all keys for the Premises and shall inform Landlord of the combinations of any vaults, locks and safes left on the Premises.

14.2 **Holdover.** If Tenant remains in possession of the Premises after expiration or earlier termination of this Lease with Landlord's consent but without the execution of a new lease (including possession required in order for Tenant to deliver the Premises in the condition required pursuant to Section 8.3), Tenant shall be deemed to be occupying the Premises from month-to-month, subject to all of the provisions of this Lease as are applicable to a month-to-month tenancy, and at a Base Rent equal to 103% of the then-current Base Rent, calculated and paid on a monthly basis. Any holding over by Tenant without Landlord's consent shall be at a Base Rent equal to 150% of the then-current Base Rent. Any holdover tenancy, whether with or without consent, shall continue until such tenancy shall be terminated by either Landlord or Tenant giving written notice of termination to the other party at least thirty (30) days prior to the effective date of termination.

**ARTICLE XV**  
**MORTGAGEES AND PURCHASERS**

15.1 Priority. Tenant's rights under this Lease are and shall always be subordinate to the lien of any mortgages or other security instruments ("Superior Encumbrances") now or subsequently encumbering the Premises or any part of it, and to amendments, replacements, renewals and extensions of such Superior Encumbrances, provided that Tenant's use and occupancy of the Premises shall not be disturbed by any mortgagee or other security holder ("Security Holder") as long as Tenant is not in default under this Lease beyond any applicable notice and cure periods. This clause shall be self-operative and no further instrument of subordination shall be required, but Tenant shall execute such reasonable further assurances as Landlord may request, provided the Security

Holder contemporaneously executes a nondisturbance agreement reasonably satisfactory to Tenant. Any Security Holder may elect that this Lease shall have priority over its Superior Encumbrance and on notification of this election by a Security Holder to Tenant, this Lease shall be deemed to have such priority whether this Lease is dated before or after the date of the Superior Encumbrance.

15.2 Estoppel Certificates. Tenant shall, from time to time within twenty (20) days after Landlord's written request, execute, acknowledge and deliver to Landlord or its designee a written certification stating to Tenant's knowledge, without inquiry or investigation: (a) the date this Lease was executed and the date it expires; (b) the date Tenant entered into occupancy of the Premises; (c) the amount of each component of Rent and the date to which each component of Rent has been paid; (d) that this Lease is unmodified and in full force and effect (or if modified, that the Lease as modified is in full force and effect and stating the modifications); (e) that Landlord is not in default under any provision of this Lease (or if in default, the specific nature of the default); and (f) such other matters as may be reasonably requested by Landlord or any prospective purchaser or Security Holder of the Premises. Tenant shall modify the foregoing certification to reflect accurately the status of this Lease. Any prospective purchaser or Security Holder may rely on any certification delivered pursuant to this Section 15.2. Landlord shall execute a comparable estoppel certificate within twenty (20) days after Tenant's written request.

15.3 Mortgagee's Right to Cure. Provided a Security Holder of the Premises notifies Tenant in writing of its address, Tenant shall give the Security Holder, by certified or registered mail, or by overnight courier service, a copy of any notice of default served on Landlord and agrees that the Security Holder may, but need not, cure any such defaults within the time periods specified in Section 13.5.

15.4 Transfer of Landlord's Interest. If Landlord's interest in the Premises or any part of it is sold or transferred (other than transfers for security purposes only), Tenant shall attorn to the transferee, provided the transferee signs an assumption and nondisturbance agreement reasonably satisfactory to Tenant. Notwithstanding any such transfer, Landlord shall not be released from any liability accruing under this Lease prior to the effective date of such transfer.

## **ARTICLE XVI**

### **MISCELLANEOUS PROVISIONS**

16.1 No Reservation. Submission of this Lease for examination does not constitute a reservation or option to lease the Premises. This Lease becomes effective as a lease only on execution and delivery by Landlord and Tenant.

16.2 No Partnership. The relationship of Landlord and Tenant created by this Lease shall not constitute or be construed as a partnership, principal-agent relationship, joint venture or other cooperative enterprise.

16.3 Entire Agreement. This Lease contains all agreements between Landlord and Tenant relating to its subject matter. No prior agreements or understandings shall be valid or of any force or effect and this Lease shall not be altered, modified or amended except in a written document signed by Landlord and Tenant.

16.4 Governing Law. This Lease shall be construed according to and governed by the internal laws of the state in which the Premises is located without reference to the choice of law rules of such state or any other state.

16.5 Headings. Titles to sections of this Lease are not a part of the Lease and shall have no effect on the interpretation of any part of it.

16.6 Severability. Any provision of this Lease proven to be invalid, void or illegal shall not affect any other provision and the remaining provisions shall remain in full force and effect. If the intent of any provision of this Lease so indicates, a party's obligations under such section shall survive expiration or earlier termination of this Lease.

16.7 Notices and Consents. All notices and consents required or permitted under this Lease must be made in writing and served personally, by registered or certified mail, return-receipt requested, postage prepaid, or by overnight courier service, addressed as set forth in the Data Sheet or at such other address(es) as the parties may from time to time otherwise designate to each other in accordance with this Section 16.7. Notices and consents shall be deemed given (a) when personally delivered, (b) three (3) business days after being deposited in the mail, or (c) one (1) business day after being given to the courier service. Unless otherwise specified, whenever a party's consent is required under this Lease, such consent shall not be unreasonably withheld, delayed or conditioned.

16.8 Dates; Force Majeure. Except where otherwise indicated, time is of the essence of this Lease. However, if circumstances beyond a party's control prevent timely performance of an obligation (other than an obligation to pay money), the time for performance shall be extended by the amount of time performance is prevented, provided the delayed party promptly notifies the other party about such delay and the cause of same.

16.9 Waivers. Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other with respect to any matters whatsoever arising out of or in any way connected with this Lease, their relationship as landlord and tenant, Tenant's use or occupancy of the Premises and any statutory or other remedy.

16.10 Attorney Fees. In the event either party commences litigation in order to enforce its rights under this Lease or as a result of a default by the other party, the losing party shall pay the reasonable attorney fees and expenses incurred by the prevailing party.

16.11 Persons Bound. This Lease binds and benefits Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.

16.12 Counterparts. This Lease may be executed by the exchange of facsimile signature pages (with hard copy originals to follow by overnight courier service) and in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same document.

16.13 Brokers. Landlord shall be solely responsible for, and shall indemnify, defend and hold harmless Tenant with respect to any loss, damage, costs and

expenses (including reasonable attorney fees and court costs) relating to or arising out of, any commissions or other compensation due or alleged to be due Selby Realty, Inc. in connection with this Lease.

Landlord and Tenant have executed this Lease Agreement as of the date first set forth above.

Landlord:  
JOSEPH V. FISHER TWO, L.L.C.,  
a Florida limited liability company

Tenant:  
MASCO CONTRACTOR SERVICES  
CENTRAL, INC., a Florida corporation

By: /s/ Joseph V. Fisher  
Name: Joseph V. Fisher  
Its: Managing Member

By: /s/ John R. Leekley  
Name: John R. Leekley  
Its: Vice President

LAVERN B. FISHER TWO, L.L.C.,  
a Florida limited liability company

By: /s/ Joseph V. Fisher  
Name: Joseph V. Fisher  
Its: Managing Member

Section 1.1 and Article IV are consented  
and agreed to by Shopping Center Owner  
JOSEPH V. FISHER, L.L.C.,  
a Florida limited liability company

By: /s/ Joseph V. Fisher  
Name: Joseph V. Fisher  
Its: Managing Member

#### EXHIBITS

- A-1 Legal Description of Premises
- A-2 Legal Description of Shopping Center Parcel
- A-3 Depiction of Premises, Shopping Center Parcel and Exclusive Rights Area
- B Base Rent Schedule
- C Landlord Improvements
- D Tenant Improvements

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#### **EXHIBIT A-1** **Legal Description of Premises**

Parcel 1 on the attached Special Warranty Deed, recorded in Book 5048, Page 2283, Volusia County Records.

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04/04/2003 14:09  
Doc stamps 18375.00  
(Transfer Amt \$2625000)  
Instrument # 2003-079034  
Book: 5048  
Page: 2283

#### **SPECIAL WARRANTY DEED**

**SM NEWCO DAYTONA BEACH, LLC**, a Delaware limited liability company  
**("Grantor")**

**AND**

**JOSEPH V. FISHER TWO, L.L.C.**, a Florida limited liability company, and **LAVERN B. FISHER TWO, L.L.C.**, a Florida limited liability company  
**(collectively, the "Grantee")**

Property Address: 260 Jimmy Ann Avenue  
Daytona Beach, Volusia County, Florida

Tax Parcel No. 521400000065

Return recorded document to: Korey, Sweet, McKinnon, Simpson, PA  
595 W. Granada Blvd.  
Ormond Beach, FL 32174-9448  
Attention: Jeffrey C. Sweet, Esq.  
Telephone (386) 677-3431  
Facsimile (386)-673-0748

**SPECIAL WARRANTY DEED**

THIS SPECIAL WARRANTY DEED is made March , 2003, between **SM NEWCO DAYTONA BEACH, LLC**, a Delaware limited liability company (the "Grantor"), whose address is c/o Developers Diversified Really Corporation, 3300 Enterprise Parkway, Beachwood, Ohio 44122 and **JOSEPH V. FISHER TWO, L.L.C.**, a Florida limited liability company, and **LAVERN B. FISHER TWO, L.L.C.**, a Florida limited liability company (the "Grantee" whether one or more) whose address is P.O. Box 420500, Summerland Key, Florida 33042-0500, Attn: Joseph V. Fisher;

WITNESSETH, Grantor does hereby give, grant, bargain, sell and confirm unto the Grantee, al that certain tract of land (the "Land") situate on the City of Daytona Beach, County of Volusia, State of Florida, bounded and described on Exhibit A attached hereto.

BEING the same premises which SMC-SPE-1, INC., a Delaware corporation, by Quitclaim Deed dated October , 2002 and recorded November 23, 2003 in Official Record Book 4969 Page 382 Public Records of Volusia County, Florida.

BEING 260 Jimmy Ann Avenue, Daytona Beach, Volusia County, Florida

BEING Tax Parcel No. 521400000065.

Together with all buildings and improvements located on the Land and fixtures attached thereto, and all rights and appurtenances pertaining to the Land, including all of Grantor's interest in streets, alleys, easements and rights of way adjacent to or used in connection with, belonging or pertaining to the Land (collectively the "Property").

This conveyance is made and accepted subject to all matters of public record; provided, however, that nothing contained in this deed shall be deemed or construed as an acknowledgment of the validity of the aforementioned matters of public record or as an extension or renewal thereof if they, or any of them, have expired or become unenforceable by their own terms or by limitation, violation or for any other reason.

The Grantor covenants with the Grantee that Grantor is lawfully seized in fee simple of the Property; that the Property is free from all encumbrances except as set forth herein, that Grantor has good right, full power and lawful authority to sell and convey the same to the Grantee and that the Grantor shall, and its assigns and successors shall, warrant and defend the same to the Grantee and its successors and assigns forever against the claims and demands of all persons claiming by, through, or under the Grantor, but not otherwise.

IN WITNESS WHEREOF, the Grantor, intending to be legally bound, has set Grantor's hand and/or caused this deed to be executed as of the day and year first above written.

**GRANTOR****Witnesses:**

/s/ Catherine B. Kletecka

Name: CATHERINE B. KLETECKA

[ILLEGIBLE]

Name: [ILLEGIBLE]

This instrument was prepared by:

Matthew H. Werthman, Esquire  
Klehr, Harrison, Harvey, Branzburg & Ellers LLP  
260 S. Broad Street  
Philadelphia, PA 19102

Send subsequent tax bills to:

Joseph V. Fisher Two, L.L.C. and  
Lavern B. Fisher Two, L.L.C.  
P.O. Box 420500  
Summerland Key, Florida 33042-0500  
Attn: Joseph V. Fisher

[ILLEGIBLE]

On behalf of Grantee

**SM NEWCO DAYTONA BEACH, LLC**, a  
Delaware limited liability company

By: /s/ Joan U. Allgood

Name: Joan U. Allgood  
Title: Vice President

**ACKNOWLEDGMENT**

STATE OF OHIO

SS

COUNTY OF CUYAHOGA

On this, the 28<sup>th</sup> day of March, 2003, before me a Notary Public in and for the State and County noted above, the undersigned officer, personally appeared Joan U. Allgood, who acknowledged that he/she is the Vice Pres of SM NEWCO DAYTONA BEACH, LLC, a Delaware limited liability company, and that he/she as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the company by him/herself as such officer.



In witness whereof, I hereunto set my hand and official seal.

/s/ Paul Jones [SEAL]  
Notary Public in and for the State of Ohio

My Commission Expires:  
January 11, 2004

[ILLEGIBLE]

4

Book: 5048  
Page: 2287  
Diane M. Matousek  
Volusia County, Clerk of Court

**EXHIBIT A**

**PARCEL I (Fee Simple Parcel)**

The following lands in Volusia County, Florida:

Part of the Southeast 1/4 of Section 14, Township 15 South, Range 32 East, Volusia County, Florida, more particularly described as follows:

Commence at the Northwest corner of the "Volusia Mall" Tract (as described in Official Records Book 1671, Pages 632 to 636 of the Public Records of Volusia County, Florida) said point being on the East right of way line of Bill France Boulevard (a 100.00 feet right of way - formerly Mason Avenue) and lying 1644.32 feet Northerly along said East right of way line from the North right of way line of U.S. Highway 92 (a 200.00 feet right of way); thence North 24° 24' 05" West along the East right of way line of Bill France Boulevard for a distance of 632.46 feet to the Southwest corner of the "Westwood Apartments" Tract (as described in Official Records Book 1998, Pages 729 to 731, in Official Records Book 2088, Page 827 to 829, of the Public Records of Volusia County, Florida); thence North 65° 29' 55" East along the South line of the said "Westwood Apartments" Tract and along the South line of a 30.00 feet wide drainage easement for a distance of 1101.21 feet to the Point of Beginning: thence continue North 65° 29' 55" East along said course for a distance of 533.58 feet to the West right of way line of Jimmy Ann Drive (a 90.00 feet right of way as described in Official Records Book 1830, Pages 1542 to 1543, of the Public Records of Volusia County, Florida); thence South 20° 11' 29" East along said West right of way line for a distance of 566.17 feet; thence South 67° 39' 47" West 637.00 feet; thence North 22° 20' 13" West 235.00 feet; thence North 67° 39' 47" East 225.00 feet; thence North 22° 20' 13" West 175.00 feet; thence South 67° 39' 47" West 100.00 feet; thence North 22° 20' 13" West 135.63 feet to the Point of Beginning.

**PARCEL II (Easement Parcel):**

Non-exclusive easements for ingress, egress, parking and utilities as disclosed in the Reciprocal Easement Agreement dated December 19 1979, between Southcoast - Volusia Associates, an Ohio general partnership, and H.J. Wilson Co. Inc., recorded December 28, 1979, in Official Records Book 2133, Page 1042, Volusia County Records.

**PARCEL III (Easement Parcel)**

Non-exclusive sign easements as disclosed in the Sign Easement dated December 19, 1979, between Volusia Mall Associates, an Ohio general partnership, and H.J. Wilson Co., Inc., recorded December 28, 1979, in Official Records Book 2133, Page 1062, Volusia County Records.

**PARCEL IV (Easement Parcel):**

Non-exclusive easement for vehicular access as disclosed in the Access Easement dated December 19, 1979, between Edward J. DeBartolo, Trustee, Volusia Mall Associates, an Ohio general partnership, H.J. Wilson Co., Inc. and Southcoast-Volusia Associates, an Ohio general partnership, recorded December 28, 1979, in Official Records Book 2133, Page 1067, Volusia County Records.

**EXHIBIT A-2**  
**Legal Description of Shopping Center Parcel**

Parcel 1 on the attached Warranty Deed dated March 28, 2001, recorded in Book 4666, Page 890, Volusia County Records.

04/05/2001 14:26  
Doc stamps 0.70  
(Transfer Amt \$ 100)  
Instrument # 2001-064661  
Book: 4666  
Page: 890

Parcel to Number: 5214-00-00-0064  
[ILLEGIBLE] 59-3365463

**Warranty Deed**

This Indenture, Made this 28th day of March, 2001 A.D. Between Joseph V. Fisher and LaVerne B Fisher, his wife,  
of the County of MONROE, State of Florida, grantors, and JOSEPH V. FISHER, LLC, a Florida limited liability company  
where address is: Post Office Box 420500, SUMMERLAND KEY, Florida 33042

.grantee.

Witnesseth that the GRANTORS, for and in consideration of the sum of TEN & NO/100 (\$10.00) DOLLARS, and other good and valuable consideration to GRANTORS in land paid by GRANTEE, the receipt whereof is hereby acknowledged, have granted, [ILLEGIBLE] and sold to the said GRANTEE and GRANTEES [ILLEGIBLE] and against forever, the following described land, situate, lying and being in [ILLEGIBLE] County of Volusia State of Florida to win

See Schedule "A" Attached For Complete Legal Description

Subject to taxes for the year 2001 and subsequent years which are not yet due and payable.

Subject to restrictions, reservations and easements of record, if any, the mention of which shall not serve to reimpose the same.  
[ILLEGIBLE]

and the grantors do hereby fully warrant the title to said land, and will defend the same against [ILLEGIBLE] claims of all persons whomsoever. **In Witness Whereof**, the grantors have hereunto XI their hands and seals the day and year first above written. Signed, sende and delivered in our presence:

/s/ Ronald E Dough  
Printed Name: Ronald E Dough  
Witness as to Both

/s/ Joseph V. Fisher (Seal)  
Joseph V. Fisher  
P.O. Address Post Office Box 420500, SUMMERLAND KEY. FL 33043

/s/ Mary T. Cain  
Printed Name: MARY T. CAIN  
Witness as to Both

/s/ Laverne B. Fisher (Seal)  
Laverne B. Fisher  
P.O. Address Post Office Box 420500, SUMMERLAND KEY. FL 33043

STATE OF FLORIDA  
COUNTY OF MONROE

The forgoing instrument was acknowledged before on this 27th day of March, 2001 by Joseph V. Fisher and LaVerne B. Fisher, his wife,

Who the personally known to the or who have [ILLEGIBLE]  
[ILLEGIBLE]

This [ILLEGIBLE] Prepared By:  
[ILLEGIBLE]  
595 W. GRANADA  
[ILLEGIBLE]  
MARY T. CAIN  
[ILLEGIBLE]

/s/ Mary T. Cain  
Printed Name: MARY T. CAIN  
NOTARY PUBLIC  
My Commission Expires: 05/17/04.

Book: 4666  
Page: 891

#### SCHEDULE "A"

##### PARCEL 1 - SHOPPING CENTER SHIP:

PART OF THE SOUTHEAST ¼ OF SECTION 14, TOWNSHIP 15 SOUTH, RANGE 32 EAST, VOLUSIA COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

AS A POINT OF REFERENCE, COMMENCE AT THE NORTHWEST CORNER OF THE "VOLUSIA MALL" TRACT AS DESCRIBED IN OFFICIAL RECORD BOOK 1671, PAGES 623 TO 636, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA, SAID REFERENCE POINT BEING ON THE EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD (A 100.00 FOOT RIGHT-OF-WAY — FORMERLY MASON AVENUE) AND LYING 1614.32 FEET NORTHERLY ALONG SAID EAST RIGHT-OF-WAY LINE FROM THE NORTH RIGHT-OF-WAY LINE OF U.S. HIGHWAY 92 (A 200.00 FOOT RIGHT-OF-WAY); THENCE NORTH 24° 24' 05" WEST ALONG THE EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD FOR A DISTANCE OF 597.46 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION:

THENCE CONTINUE NORTH 24° 24' 05" WEST ALONG SAID EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD FOR A DISTANCE OF 35.00 FEET TO THE SOUTHWEST CORNER OF THE "WESTWOOD APARTMENT" TRACT AS DESCRIBED IN OFFICIAL RECORD BOOK 1998, PAGES 729 TO 731, AND OFFICIAL RECORD BOOK 2000, PAGES 827 TO 829, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA; THENCE NORTH 65°29'55" EAST ALONG THE SOUTH LINE OF THE SAID "WESTWOOD APARTMENT" TRACT FOR A DISTANCE OF 1101.21 FEET; THENCE DEPARTING THE SOUTH LINE OF THE SAID "WESTWOOD APARTMENT" TRACT AND RUN SOUTH 22°20' 13" EAST FOR A DISTANCE OF 135.63 FEET; THENCE NORTH 67°39'47" EAST 100.00 FEET, THENCE SOUTH 22°20' 13" EAST 175.00 FEET; THENCE SOUTH 67° 39' 47" WEST 225.00 FEET; THENCE SOUTH 22°20'13" EAST 235.00 FEET; THENCE SOUTH 67°39'47" WEST 347.36 FEET; THENCE NORTH 22°20'13" WEST 46.93 FEET; THENCE SOUTH 67° 36'38" WEST 111.51 FEET; THENCE SOUTH 19°20'04" WEST 33.89 FEET; THENCE SOUTH 24°12'34" EAST 157.05 FEET; THENCE SOUTH 40°42'15" EAST 18.44 FEET; THENCE SOUTH 67°39'47" WEST 51.00 FEET; THENCE NORTH 24°24' 05" WEST 200.00 FEET; THENCE SOUTH 65°35'55" WEST 79.30 FEET; 46.60 FEET; THENCE NORTH 22° 22' 38" WEST 204.54 FEET; THENCE NORTH 65°29'55" EAST 317.66 FEET TO THE POINT OF BEGINNING.

TOGETHER WITH ANY EASEMENT RIGHTS OF GRANTOR CREATED UPON THE FOLLOWING PARCELS IDENTIFIED AS PARCEL 2, PARCEL 3 AND PARCEL 4.

##### PARCEL 2 - DRAINAGE EASEMENT AREA:

PART OF THE SOUTHEAST ¼ OF SECTION 14, TOWNSHIP 15 SOUTH, RANGE 32 EAST, VOLUSIA COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

AS A POINT OF REFERENCE, COMMENCE AT THE NORTHWEST CORNER OF THE "VOLUSIA MALL" TRACT AS DESCRIBED IN OFFICIAL RECORD BOOK 1671, PAGES 632 TO 636, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA, SAID REFERENCE POINT BEING ON THE EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD (A 100.00 FOOT RIGHT-OF-WAY — FORMERLY MASON AVENUE) AND LYING 1644.32 FEET NORTHERLY ALONG SAID EAST RIGHT-OF-WAY LINE OF U.S. HIGHWAY 92 (A 200.00 FOOT RIGHT-OF-WAY); THENCE NORTH 24° 24' 05" WEST ALONG THE EAST

RIGHT-OF-WAY LINE FROM THE NORTH RIGHT-OF-WAY LINE OF U.S. HIGHWAY 92 (A 200.00 FOOT RIGHT-OF-WAY); THENCE NORTH 24° 24' 05" OF BILL FRANCE BOULEVARD FOR A DISTANCE OF 632.46 FEET TO THE SOUTHWEST CORNER OF THE "WESTWOOD APARTMENT" TRACT AS DESCRIBED IN OFFICIAL RECORD BOOK 1998, PAGES 729 TO 731, AND OFFICIAL RECORD BOOK 2088, PAGES 827 TO 829, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA; THENCE NORTH 65° 29' 55" EAST ALONG THE SOUTH LINE OF THE SAID "WESTWOOD APARTMENT" TRACT FOR A DISTANCE OF 430.00 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION:

THENCE NORTH 24°24'05" WEST 30.00 FEET; THENCE NORTH 65° 29' 55" EAST 1194.00 FEET TO THE WEST RIGHT-OF-WAY LINE OF JIMMY ANN DRIVE (A 116.00 FOOT WIDE RIGHT-OF-WAY AS DESCRIBED IN OFFICIAL RECORD BOOK 2387, PAGES 749 TO 792, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA; THENCE SOUTH 20° 11'29" EAST ALONG SAID RIGHT-OF-WAY 30.09 FEET TO A POINT ON THE SOUTH LINE OF THE SAID "WESTWOOD APARTMENT" TRACT; THENCE SOUTH 65° 29' 55" WEST ALONG THE SOUTH LINE OF THE SAID "WESTWOOD APARTMENT" TRACT FOR A DISTANCE OF 1191.79 FEET TO THE POINT OF BEGINNING.

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BOOK: 4666  
PAGE: 892  
Diane M. Matousek  
Volusia County, Clerk of Court

SCHEDULE "A" CONTINUED

PARCEL 3 - ACCESS ROAD:

PART OF THE SOUTHEAST 1/4 OF SECTION 14, TOWNSHIP 15 SOUTH, RANGE 32 EAST, VOLUSIA COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

AS A POINT OF REFERENCE, COMMENCE AT THE NORTHWEST CORNER OF THE "VOLUSIA MALL" TRACT AS DESCRIBED IN OFFICIAL RECORD BOOK 1671, PAGES 632 TO 636, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA, SAID REFERENCE POINT BEING ON THE EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD (A 100.00 FOOT RIGHT-OF-WAY — FORMERLY MASON AVENUE) AND LYING 1644.32 FEET NORTHERLY ALONG SAID EAST RIGHT-OF-WAY LINE FROM THE NORTH RIGHT-OF-WAY LINE OF U.S. HIGHWAY 92 (A 200.00 FOOT RIGHT-OF-WAY); THENCE NORTH 24° 24' 05" WEST ALONG THE EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD FOR A DISTANCE OF 343.74 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION

THENCE CONTINUE NORTH 24° 24' 05" WEST ALONG SAID EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD FOR A DISTANCE OF 58.72 FEET; THENCE DEPARTING SAID EAST RIGHT-OF-WAY LINE AND RUN NORTH 65°29'55" EAST 20000 FEET; THENCE NORTH 67°37'22" EAST 111.40 FEET; THENCE SOUTH 22°22'36" EAST 25.28 FEET; THENCE NORTH 67°52'02" EAST 46.60 FEET; THENCE SOUTH 22°50'42" EAST 21.06 FEET; THENCE SOUTH 67°35'19" WEST 156.53 FEET; THENCE SOUTH 62°02'59" WEST 200.38 FEET TO THE POINT OF BEGINNING.

PARCEL 4 - SIGN ACCESS AREA:

PART OF THE SOUTHEAST ¼ OF SECTION 14, TOWNSHIP 15 SOUTH, RANGE 32 EAST, VOLUSIA COUNTY, FLORIDA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

AS A POINT OF REFERENCE, COMMENCE AT THE NORTHWEST CORNER OF THE "VOLUSIA MALL" TRACT AS DESCRIBED IN OFFICIAL RECORD BOOK 1671, PAGES 632 TO 636, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA, SAID REFERENCE POINT BEING ON THE EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD (A 100.00 FOOT RIGHT-OF-WAY — FORMERLY MASON AVENUE) AND LYING 1644.32 FEET NORTHERLY ALONG SAID EAST RIGHT-OF-WAY LINE FROM THE NORTH RIGHT-OF-WAY LINE OF U.S. HIGHWAY 92 (A 200.00 FOOT RIGHT-OF-WAY); THENCE NORTH 24° 24' 05" WEST ALONG THE EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD FOR A DISTANCE OF 331.76 FEET TO THE POINT OF BEGINNING OF THIS DESCRIPTION:

THENCE CONTINUE NORTH 24° 24' 05" WEST ALONG SAID EAST RIGHT-OF-WAY LINE OF BILL FRANCE BOULEVARD FOR A DISTANCE OF 20.00 FEET; THENCE DEPARTING SAID EAST RIGHT-OF-WAY LINE AND RUN NORTH 65°37'03" EAST 30.60 FEET; THENCE SOUTH 24°24'05" EAST 20.00 FEET; THENCE SOUTH 65° 37'03" WEST 30.59 FEET TO THE POINT OF BEGINNING.

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**EXHIBIT A-3**  
**Depiction of Premises, Shopping Center Parcel and Exclusive Rights Area**

See attached three sheets depicting the three areas.

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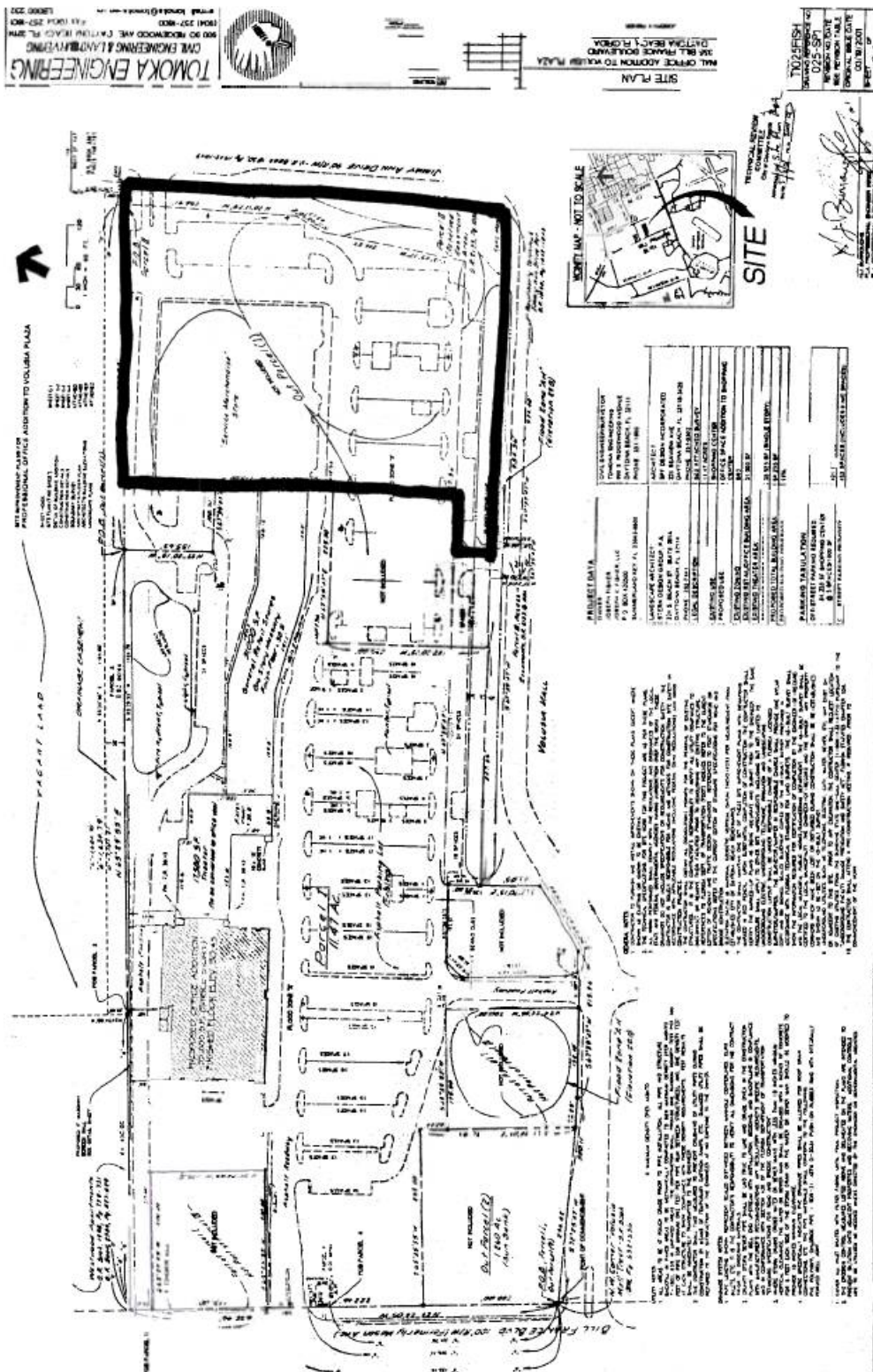
PROFESSIONAL OFFICE ADDITION TO POLARIS PLAZA

[illegible]





**"Exclusive Light Area"**



**EXHIBIT B  
 BASE RENT SCHEDULE**

**Initial Term**  
 11/1/03-10/31/04 - \$26,418.33 per month  
 11/1/04-10/31/05 - \$27,210.88 per month  
 11/1/05-10/31/06 - \$28,027.21 per month  
 11/1/06-10/31/07 - \$28,868.03 per month  
 11/1/07-02/28/09 - \$29,734.07 per month

**First Extended Term**  
 03/1/09-02/28/10 - \$30,626.09 per month

03/1/10-02/28/11 - \$31,544.87 per month

Additional Extended Terms

03/1/11-02/29/12 - \$32,491.22 per month

03/1/12-02/28/13 - \$33,465.95 per month

03/1/13-02/28/14 - \$34,469.93 per month

03/1/14-02/28/15 - \$35,504.03 per month

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**EXHIBIT C**  
**LANDLORD IMPROVEMENTS**

At its sole cost, expense and risk, Landlord shall complete the following work in the Premises in accordance with Section 1.2 of the Lease:

1. Ensure that all mechanical systems (including the electrical, plumbing, HVAC, fire suppression, and security systems), dock doors and levelers are in good working order.
2. Ensure that the roof, walls and foundation are structurally sound and the roof is free from leaks.
3. Remove the Service Merchandise sign.
4. Paint the exterior of the Building the same color as the Vital Works building located on the Shopping Center Parcel.
5. Completely level all recesses in the terrazzo floor.
6. Broom sweep the interior and remove all debris.

**EXHIBIT D**  
**TENANT IMPROVEMENTS**

1. Patch and paint the office walls.
2. Patch or replace broken drywall panels in offices and warehouse.
3. Construct offices along east wall.
4. Refurbish existing offices.
5. Install commercial grade carpet throughout the office area.
6. Replace broken or missing ceiling tiles.
7. Reconstruct restrooms, as necessary.

**FIRST AMENDMENT TO LEASE AGREEMENT**

THIS FIRST AMENDMENT TO LEASE AGREEMENT ("Amendment") is made as of November 1, 2003, by and between JOSEPH V. FISHER TWO, L.L.C., a Florida limited liability company ("Landlord"), and MASCO CONTRACTOR SERVICES CENTRAL, INC., a Florida corporation ("Tenant").

**Recitals**

This Amendment is based upon the following recitals, which are incorporated into and shall form a part of this Amendment:

A. Landlord and Tenant are parties to a Lease Agreement dated as of July 11, 2003 (the "Lease"), relating to certain premises located at 260 Jimmy Ann Drive, Daytona Beach, Florida (as more particularly described in the Lease, the "Premises").

B. Landlord and Tenant desire to amend the Lease on the terms and conditions set forth in this Amendment.

For good and valuable consideration, the receipt and adequacy of which are acknowledged, Landlord and Tenant agree as follows:

1. Pursuant to Section 3.2 of the Lease, (a) Landlord has paid a total of \$500,000.00 toward the cost of the Tenant Improvements provided for in Section 1.2 of the Lease, and (b) Tenant shall repay to Landlord, as Additional Base Rent, the principal sum of \$385,000.00, amortized over the initial Term of the Lease (excluding the Extended Terms) with six percent (6%) interest thereon per annum, in equal monthly installments of \$7,044.27 over the initial Term of the Lease (excluding the Extended Terms).

2. Capitalized terms used but not defined in this Amendment shall have the meanings given to those terms in the Lease. This Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and assigns. Landlord and Tenant each represents and warrants that this Amendment has been executed by persons who are duly authorized to execute this Amendment on behalf of Landlord and Tenant, respectively.

3. Landlord and Tenant ratify and affirm the Lease, as amended by this Amendment, and agree that the Lease, as so amended, shall continue in full force and effect.

4. This Amendment may be executed by the exchange of facsimile signature pages (with hard copy originals to follow by next business day delivery service) and in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

Landlord and Tenant have executed this First Amendment to Lease Agreement as of the date first written above.

Landlord:  
JOSEPH V. FISHER TWO, L.L.C.,  
a Florida limited liability company

Tenant:  
MASCO CONTRACTOR SERVICES  
CENTRAL, INC., a Florida corporation

By: /s/ Joseph V. Fisher  
Name: Joseph V. Fisher  
Its: Manager

By: /s/ David A. Doran  
Name: David A. Doran  
Its: Vice President



**ASSIGNMENT AND ASSUMPTION OF LEASE**

For the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and adequacy of which are acknowledged, Masco Contractor Services Central, Inc., a Florida corporation ("Assignor"), hereby assigns, transfers, conveys and sets over to Masco Administrative Services, Inc., a Delaware corporation ("Assignee"), all of Assignor's right, title and interest as tenant in and to that certain Lease Agreement dated as of July 11, 2003, as amended by the First Amendment to Lease Agreement dated as of November 1, 2003 (collectively, the "Lease") relating to certain premises located at 260 Jimmy Ann Drive, Daytona Beach, Florida.

Assignee assumes and agrees to perform all of the obligations of Assignor under the Lease that shall accrue from and after the Effective Date.

This Assignment and Assumption of Lease shall be binding upon and inure to the benefit of Assignor, Assignee and their respective successors and assigns.

Assignor and Assignee have executed this Assignment and Assumption of Lease as of January 1, 2004 (the "Effective Date").

Assignor:  
MASCO CONTRACTOR SERVICES  
CENTRAL, INC., a Florida corporation

By: /s/ Robert B. Rosowski  
Name: Robert B. Rosowski  
Its: Vice President, Assistant Secretary and Treasurer

Assignee:  
MASCO ADMINISTRATIVE SERVICES,  
INC., a Delaware corporation

By: /s/ David A. Doran  
Name: David A. Doran  
Its: Vice President

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## SECOND AMENDMENT TO LEASE AGREEMENT

THIS SECOND AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") is made as of November 10, 2008, by and between JOSEPH V. FISHER TWO, L.L.C., a Florida limited liability company, and LAVERN B. FISHER TWO, LLC., a Florida limited liability company (collectively, "**Landlord**"), and MASCO ADMINISTRATIVE SERVICES, INC., a Delaware corporation ("**Tenant**").

**Recitals**

This Amendment is based upon the following recitals, which are incorporated into and shall form a part of this Amendment:

A. Landlord and Tenant (as successor to Masco Contractor Services Central, Inc., a Florida corporation, pursuant to an Assignment and Assumption of Lease as of January 1, 2004) are parties to a Lease Agreement dated as of July 11, 2003, as amended by a First Amendment to Lease Agreement dated as of November 1, 2003 (collectively, the "**Lease**"), relating to certain Premises located at 260 Jimmy Ann Drive, Daytona Beach, Florida.

B. Landlord and Tenant desire to extend the Term of the Lease and otherwise amend the Lease on the terms and conditions set forth in this Amendment.

For good and valuable consideration, the receipt and adequacy of which are acknowledged, Landlord and Tenant agree as follows:

1. The Term of the Lease, which was to expire on February 28, 2009, is extended through February 28, 2011 on the terms presently contained in the Lease, as amended by this Amendment, except that, effective March 1, 2009, (a) the Base Rent shall be decreased to \$27,750.00 per month, and (b) the Additional Base Rent of \$7,044.27 payable by Tenant pursuant to Section 3.2 of the Lease and Paragraph 1 of the First Amendment to Lease shall cease.

2. Notwithstanding anything provided in the Lease to the contrary, all notices to Tenant shall be sent concurrently, in accordance with Section 16.7 of the Lease, to the following addresses:

Masco Administrative Services, Inc.  
2339 Beville Road  
Daytona Beach, FL 32119  
Attention: Kathy Gallagher

with a copy of all substantive notices (such as notices of default),  
but not routine notices (such as monthly invoices), to:

Masco Corporation  
21001 Van Born Road  
Taylor, MI 48180  
Attention: General Counsel

3. Tenant's option to extend the Term of the Lease for a period of two (2) years pursuant to Section 2.3 of the Lease is deleted and of no further force or effect and Tenant's four (4) options to extend the Term of the Lease for a period of one (1) year each pursuant to Section 2.3 of the Lease shall continue in full force and effect.

4. Capitalized terms used but not defined in this Amendment shall have the meanings given to those terms in the Lease. This Amendment shall be binding upon and inure to the benefit of Landlord and Tenant and their respective successors and assigns. Landlord and Tenant each represents and warrants that this Amendment has been executed by persons who are duly authorized to execute this Amendment on behalf of Landlord and Tenant, respectively.

5. Landlord and Tenant ratify and affirm the Lease, as amended by this Amendment, and agree that the Lease, as so amended, shall continue in full force and effect.

6. This Amendment may be executed by the exchange of signature pages via facsimile or other electronic means (with hard copy originals to follow by next business day delivery service) and in any number of counterparts, each of which shall be deemed an original but all of which shall constitute one and the same document.

Landlord and Tenant have executed this Second Amendment to Lease Agreement as of the date first written above.

Landlord:  
**JOSEPH V. FISHER TWO, L.L.C.**,  
a Florida limited liability company

By: /s/ Joseph V. Fisher  
Name: Joseph V. Fisher  
Its: Managing Member

Tenant:  
**MASCO ADMINISTRATIVE  
SERVICES, INC.**, a Delaware corporation

By: /s/ Jerry W. Mollien  
Name: Jerry W. Mollien  
Its: Vice President

**LAVERN B. FISHER TWO, L.L.C.**,  
a Florida limited liability company

By: /s/ Joseph V. Fisher  
Name: Joseph V. Fisher  
Its: Managing Member

By: /s/ Joseph V. Fisher  
Name: Joseph V. Fisher  
Its: Managing Member

### THIRD AMENDMENT TO LEASE AGREEMENT

THIS THIRD AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") is made as of January 5, 2011, by and between JOSEPH V. FISHER TWO, L.L.C., a Florida limited liability company, and LAVERN B. FISHER TWO, L.L.C., a Florida limited liability company (collectively, "**Landlord**"), and MASCO ADMINISTRATIVE SERVICES, INC., a Delaware corporation ("**Tenant**"), with reference to the following facts which are acknowledged and agreed to by the parties and made a part hereof:

A. Landlord and Tenant are parties to a Lease Agreement dated as of July 11, 2003 (the "**Original Lease**"), as amended by First Amendment to Lease Agreement dated as of November 1, 2003, and Second Amendment to Lease Agreement dated as of November 10, 2008 (collectively, the "**Lease**"), relating to certain Premises located at 260 Jimmy Ann Drive, Daytona Beach, Florida.

B. The Term of the Lease is currently scheduled to expire on February 28, 2011, and Landlord and Tenant now desire to extend the Term and otherwise amend the Lease on the terms and conditions set forth in this Amendment.

For good and valuable consideration, the receipt and adequacy of which are acknowledged, Landlord and Tenant agree as follows:

1. Extension of Term. The Term of the Lease is extended through February 29, 2016 on the same terms presently contained in the Lease, as amended by this Amendment, and at the same Base Rent of \$27,750.00 per month. Taxes, Common Area Charges and Insurance Costs shall continue to be payable by Tenant pursuant to Article IV of the Original Lease. Notwithstanding any provision of this Amendment or the Lease to the contrary, Tenant shall have the option to terminate the Lease and the Term effective as of any date (the "**Termination Date**") on or after February 28, 2014, provided that Tenant exercises such option by giving to Landlord written notice not later than three (3) months prior to the Termination Date.

2. Options to Extend. Tenant shall have two (2) further options to extend the Term, each for a period of five (5) years (the "**Extended Term(s)**") on the same terms presently contained in the Lease as amended by this Amendment, except that Base Rent during the first (1<sup>st</sup>) Extended Term shall be \$29,137.50 per month, and Base Rent during the second (2<sup>nd</sup>) Extended Term shall be \$30,594.38 per month. Each such option shall be exercisable by Tenant by giving written notice to Landlord of its election to extend at least three (3) months before the expiration of the then-current Term. Tenant shall be entitled to exercise each option only if at the time of exercise the Lease is in full force and effect and Tenant is not in default thereunder beyond any applicable notice and cure period.

3. Tenant's Repair Obligations. Tenant shall continue to be responsible, at Tenant's sole cost, to maintain an HVAC service contract that includes period service and changing of filters, but Tenant shall not be required to perform any extraordinary repairs to the HVAC system of the Premises (i.e., in excess of \$250 per occurrence or \$750 per calendar year), which shall be the sole responsibility of Landlord. In the event that, at any time during the Term, the HVAC

system of the Premises or any component thereof (other than filters and other minor items included in a standard routine maintenance contract) ceases operating in its normal manner through no fault or neglect of Tenant, and Tenant is notified in writing by a licensed HVAC contractor that such system or component has reached or during the following eighteen (18) months will reach the end of its useful life, then Landlord at its sole cost shall promptly replace such system or component in lieu of Tenant repairing same. For purposes of the Original Lease, the term "structural portions" of the Premises, as defined in Section 7.1 of the Original Lease, shall additionally include the windows and exterior walls and doors of the Premises.

4. Improvement Allowance. In the manner specified below in this Section 4, Landlord shall pay to Tenant the sum of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) (the "**Allowance**") for use by Tenant to improve the Premises and for other uses in the sole discretion of Tenant. The Allowance shall be paid to Tenant in the form of a credit against accruing Base Rent starting March 1, 2011, and continuing until paid in full (i.e., credits in the amount of \$27,750.00 per month against monthly Base Rent for nine [9] consecutive months, and then a credit of \$250.00 against Base Rent due for December, 2011).

5. Notice Addresses. All notices to Tenant shall be sent concurrently, in accordance with Section 16.7 of the Lease, to the following addresses:

Masco Administrative Services, Inc.  
2339 Beville Road  
Daytona Beach, FL 32119  
Attention: **Deborah Bacom**

with a copy of all substantive notices (such as notices of default), but not routine notices (such as monthly invoices), to:

Masco Corporation  
21001 Van Born Road  
Taylor, MI 48180  
Attention: General Counsel

6. Miscellaneous. Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings given in the Lease. This Amendment (a) supersedes and controls over any conflicting dates and any other conflicting terms or provisions set forth in the Lease and, subject to the foregoing, the Lease remains unchanged and the parties hereby reaffirm and ratify all of the terms and provisions thereof, which are incorporated herein by this reference, (b) may be signed in counterparts and delivered by facsimile or electronically-transmitted copy with ink-signed hard-copy to follow by first class mail, with all such counterparts, together, constituting one and the same document, (c) shall become binding upon and inure to the benefit of Landlord and Tenant and their respective successors and assigns immediately upon execution and delivery by both Landlord and Tenant, but not before, and (d) contains all agreements between Landlord and Tenant relating to its subject matter and shall not be altered, modified or amended except in a written document signed by Landlord and Tenant. In the event of a default under Section 4 of this Amendment, time being of the essence, Tenant, at its option, may enforce

its rights thereunder by offsetting the amount of any such default against Rent accruing under the Lease. The failure or delay of Tenant to exercise or enforce any rights, powers, or remedies shall not operate as a waiver of such rights, powers, and remedies. Each of the individuals signing below represents and warrants that he (i) has been duly authorized to execute this Amendment on behalf of Landlord or Tenant, as applicable, and (ii) has not executed this Amendment in reliance on any promise or representation other than those expressly set forth herein.

Landlord and Tenant have executed this Amendment as of the date first written above.

Landlord:

**JOSEPH V. FISHER TWO, L.L.C.,**  
a Florida limited liability company

By: /s/ Joseph V. Fisher  
Joseph V. Fisher, Managing Member

**LAVERN B. FISHER TWO, L.L.C.,**  
a Florida limited liability company

By: /s/ Joseph V. Fisher  
Joseph V. Fisher, Managing Member

Tenant:

**MASCO ADMINISTRATIVE SERVICES, INC.,**  
a Delaware corporation

By: /s/ Jerry W. Mollien  
Jerry W. Mollien, Vice President

**NET LEASE  
DEED OF LEASE**

*THIS DEED OF LEASE INSTRUMENT IS GIVEN IN ACCORDANCE WITH THE PROVISIONS OF VA. CODE §55-2 (1950, AS AMENDED). NOTHING HEREIN SHALL BE CONSTRUED AS CONVEYING TO THE TENANT ANY LEGAL OR EQUITABLE TITLE OR CLAIM TO TITLE IN THE LAND OR THE IMPROVEMENTS LOCATED UPON THE LAND DESCRIBED HEREIN. THE PARTIES ACKNOWLEDGE AND AGREE THAT THIS INSTRUMENT IS INTENDED TO GRANT A LEASEHOLD INTEREST IN THE PREMISES TO THE TENANT FOR A TERM OF YEARS ONLY UPON THE TERMS AND CONDITIONS SET FORTH HEREIN.*

**THIS LEASE** is made this 10<sup>th</sup> day of August, 1999, between **PRINCIPAL LIFE INSURANCE COMPANY** ("Landlord"), an IOWA corporation, whose address is 711 High Street, Des Moines, Iowa 50392, and Service Partners, LLC ("Tenant"), a(n) Virginia LLC whose address is 7308 Hanover Green Drive, Mechanicsville, Va 23111.

**I. GENERAL.**

1.1 *Consideration.* Landlord enters into this Lease in consideration of the payment by Tenant of the rents herein reserved and the keeping, observance and performance by Tenant of the covenants and agreements herein contained.

1.2 *Exhibits and Addenda to Lease.* The Exhibits and Addenda listed below shall be attached to this Lease and be deemed incorporated in this Lease by this reference. In the event of any inconsistency between such Exhibits and Addenda and the terms and provisions of this Lease, the terms and provisions of the Exhibits and Addenda shall control. The Exhibits and Addenda to this Lease are:

Exhibit A - Premises

~~Exhibit A 1 - Land~~

Exhibit B - Plans and Specifications for the Premises (if available)

Exhibit C - Environmental Compliance

Exhibit D - Sign and Generator Criteria

Exhibit E - Tenant Workletter

ADDENDUM NO. ONE (1)- OPTION TO EXTEND LEASE TERM

ADDENDUM NO. TWO (2) - AUDIT

**II. DEMISE OF PREMISES.**

2.1 *Demise.* Subject to the provisions, covenants and agreements herein contained, Landlord hereby leases and demises to Tenant, and Tenant hereby leases from Landlord, the Premises as hereinafter defined, together with a non-exclusive right to use the Parking Area [ILLEGIBLE] hereinafter defined for the Lease Term as hereinafter defined, subject to existing covenants, restrictions, c means and encumbrances affecting the same.

2.2 *Premises.* The "Premises" shall mean the space to be occupied by Tenant as depicted on Exhibit A attached hereto. The Premises are within the Building which is located on the Land, as the terms Building and Land are hereinafter defined.

2.3 *Square Footage and Address.* The Premises contains approximately 11,325 rentable square which is comprised of 9,024 square feet of office area and 2,301 square feet of warehouse area. The address of the Premises is, or is expected to be: 1029 Technology Park Drive, Glen Allen, Va 23060.

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~~2.4 *Land.* "Land" shall mean the parcel of real property more particularly described in Exhibit A 1 attached hereto, containing approximately \_\_\_\_\_ square feet of land.~~

2.5 *Building.* "Building" shall mean the Building constructed or to be constructed on the Land, containing approximately 119,672 rentable square feet.

2.6 *Improvements.* "Improvements" shall mean the Building, the Parking Area (as hereinafter defined), and all other improvements on the Land, including landscaping thereon.

2.7 *Property.* "Property" shall mean the Land, the Building and the Improvements and any fixtures and personal property used in operation and maintenance of the Land, Building and Improvements, other than fixtures and personal property of Tenant and other users of space in the Building.

2.8 *Common Facilities.* "Common Facilities" shall mean all of the Property except the Premises and other space in the Building leased or held for lease to other Tenants. Common Facilities shall include the Parking Area and any walks, driveways, lobby areas, halls, stairs, elevator(s) and restrooms designated for common use by Tenant and other users of space in the Building.

2.9 *Parking Area.* "Parking Area" shall mean that portion of the Land which is for the parking of motor vehicles. The Parking Area is to be shared by Tenant in common with other users of space in the Building.

2.10 *Park.* The Property is located in and is part of the development commonly known as Virginia Center Technology Park.

2.11 *Use of Common Facilities.* Tenant is hereby granted the non-exclusive right to use, in common with other users of space in the Building, so much of the Common Facilities as are needed for the use of the Premises.

2.12 *Covenant of Quiet Enjoyment.* If Tenant promptly and punctually complies with each of its obligations hereunder, it shall peacefully have and enjoy the possession of the Premises during the Term hereof, provided that no action of Landlord or other tenants working in other space in the Building, or in repairing or restoring the Premises, shall be deemed a breach of this covenant, or give to Tenant any right to modify this Lease either as to term, rent payable, or other obligations to be performed.

2.13 *Condition of Premises.* Tenant covenants and agrees that, upon taking possession of the Premises, it will have accepted the Premises "as-is" and Tenant waives any warranty of condition or habitability, suitability for occupancy, use of habitation, fitness for a particular purpose, or of merchantability, express or implied, relating to the Premises.

### III. TERM OF LEASE.

3.1 **Lease Term.** This Lease Term (the "Term") is for 38 months, and shall commence on Sixty days from the execution of this Lease document by both parties ("Commencement Date"), and shall expire (unless sooner terminated or extended as herein provided) at noon 38 ~~sixty~~ months from the "Commencement Date." ("Expiration Date"). In the event Landlord shall permit Tenant to take possession of the Premises prior to the Commencement Date referenced above, all the terms and conditions of this Lease shall apply. It is acknowledged and agreed by both parties that rent shall begin 60 days after the commencement of the Lease. Tenant shall have the right to store and or install a computer system in the conference room area as noted on Exhibit B, prior to the commencement of the Lease, but not before August 10, 1999, with no rent charged to Tenant. Tenant assumes all responsibility for the computer system and waives any and all claims against Landlord for damages which may occur to the system. Further, Tenant must provide Landlord a certificate of Insurance prior to installing the said equipment on or after August 10, 1999.

If Landlord, for any reason whatsoever, cannot deliver possession of the Premises to Tenant on the Commencement Date, then this Lease shall not be void or voidable, no obligation of Tenant shall be affected thereby, and neither Landlord no [ILLEGIBLE] gents shall be liable to Tenant for any loss or damage resulting from the delay in delivery of possession [ILLEGIBLE] however, that in such event, the Commencement Date and Expiration Date of this Lease, and all other [ILLEGIBLE] may be affected by their change, shall be revised to conform to the date of Landlord's delivery of possession to Tenant. The above, however, is subject to the provision that the period permitted for the delay of delivery of possession of the Premises shall not exceed ninety (90) days after the Commencement Date set forth in the first sentence of this Section 3.1 (except that those delays beyond Landlord's control, including, without limitation, those encompassed in the meaning of the term "force majeure", or caused by Tenant (the "Delays") shall be excluded in calculating such period). If Landlord does not deliver possession to Tenant within such period, then Tenant may terminate this Lease by written notice to Landlord; provided, that written notice shall be ineffective if given after Tenant takes possession of any part of the Premises, or if given more than one hundred (100) days after the original Commencement Date plus the time of any Delays. Unless expressly otherwise provided herein, Rent (as hereinafter defined) shall commence on the earlier of: (i) the Commencement Date; (ii) occupancy of the Premises by Tenant; (iii) the date Landlord has the Premises ready for

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occupancy by Tenant, as such date is adjusted under the Workletter, if any, attached hereto; or (iv) the date Landlord could have had the Premises ready had there been no Delays attributable to Tenant. Unless the context otherwise so requires, the term "Rent" as used herein includes both Base Rent and Additional Rent as set forth in Section 4.1.

If the Expiration Date, as determined herein, does not occur on the last day of a calendar month, then Landlord, at its option, may extend the Term by the number of days necessary to cause the Expiration Date to occur on the last day of the last calendar month of the Term. Tenant shall pay Base Rent and Additional Rent for such additional days at the same rate payable for the portion of the last calendar month immediately preceding such extension. The Commencement Date, Term (including any extension by Landlord pursuant to this Section 3.1) and Expiration Date may be set forth in a commencement letter (the "Commencement Letter") prepared by Landlord and executed by Tenant.

### IV. RENT AND OTHER AMOUNTS PAYABLE.

4.1 **Base Rent.** Tenant covenants and agrees to pay to Landlord, without prior demand and without offset, deduction or abatement, base rent for the full Lease Term in the amount (before Cost of Living Increases) of \$307,473.75 ("Base Rent"), for a Minimum annual Base Rent of \$102,491.25 before adjustments.

For each twelve month period following the preceding twelve full months of the Lease Term, Tenant shall pay as Additional Rent any such amount as may be necessary to increase the annual Base Rent (calculated upon a rate of \$9.05 per rentable square foot) by three percent (3%) in excess of the prior twelve month period. Tenant shall further pay as Additional Rent any sales or use tax imposed on rents collected by Landlord or any tax on rents in lieu of ad valorem taxes on the Building, even though laws imposing such taxes attempt to require Landlord to pay the same. If any such sales or use tax shall be imposed upon Landlord, and Landlord shall be prohibited by applicable law from collecting the amount of such tax from Tenant as Additional Rent, then Landlord, upon sixty (60) days prior written notice to Tenant, may terminate this Lease, unless Tenant legally can and does in fact reimburse Landlord for such tax. Unless expressly otherwise provided herein, Rent (as hereinafter defined) shall commence on the earlier of: (i) sixty days following the Commencement Date; (ii) occupancy of the Premises by Tenant. For the purposes of this Lease, the installation or storage of the computer system in the conference room area does not define occupying the Premises, (iii) the date Landlord has the Premises ready for occupancy by Tenant, as such date is adjusted under the Workletter, if any, attached hereto; or (iv) the date Landlord could have had the Premises ready had there been no Delays attributable to Tenant.

4.2 **Monthly Rent.** Base Rent shall be payable monthly in advance, in equal installments in the amount of \$8,540.94 ("Monthly Rent"), as the same may be increased pursuant to Section 4.1, commencing on the first day of the first month of the Lease Term and continuing on the same day of each month thereafter for the balance of the Lease Term and continuing on the same day of each month thereafter for the balance of the Lease Term, unless the commencement date of the Lease Term is other than the first day of a calendar month, in which event rent shall be payable on the commencement date for the remaining number of days in that month prorated for such partial month, and thereafter as provided above.

4.3 **Place of Payments.** Base Rent and all other sums payable by Tenant to Landlord under this Lease shall be paid to Landlord at the place for payments specified for notices in Section 13.19, or such other place as Landlord may, from time to time, designate in writing. In addition to such remedies as may be provided under the Default provisions of this Lease, Landlord shall be entitled to collect a late charge of four percent (4%) of the amount of each monthly payment not received within five (5) days of the date when due, and a charge of the lower of the maximum lawful bad check fee or five percent (5%) of the amount of any check given by Tenant and not paid when first presented by Landlord.

4.4 **Lease a Net Lease and Rent Absolute.** It is the intent of the parties that the Base Rent provided in this Lease shall be a net payment to Landlord; that the Lease shall continue for the full Lease Term notwithstanding any occurrence preventing or restricting use and occupancy of the Premises, including any damage or destruction affecting the Premises, and any action by governmental authority relating to or affecting the Premises, except as otherwise specifically provided in this Lease; that the Base Rent shall be absolutely payable without offset, reduction or abatement for any cause except as otherwise specifically provided in this Lease; that Landlord shall not bear any costs or expenses relating to the Premises or provide any services or do any act in connection with the Premises except as otherwise specifically provided in this Lease; and that Tenant shall pay, in addition to Base Rent, Additional Rent to cover costs and expenses relating to the Premises, the Common Facilities, and the Property.

4.5 **Additional Rent.** Tenant covenants and agrees to pay, as Additional Rent, its Proportionate Share of: (i) all costs and expenses incurred by Landlord relating to the office area only of the Premises; (ii) all costs and expenses relating to the Common Facilities; and (iii) certain costs and expenses relating to the Property and the Park, all as hereinafter provided and to pay all other amounts payable by Tenant under the terms of this Lease ("Additional Rent"). Costs and expenses, the Proportionate Share of which is payable by Tenant as Additional Rent (as aforesaid) shall include (a) Taxes and Assessments (as defined in Article V below); (b) insurance costs (as provided in Article VI below); (c) utility charges (as provided in Section 7.1 below); (d) operating expenses (as provided in

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Section 7.2 below); Tenant shall be responsible for maintaining, repairing and replacing throughout the term of this Lease the heating, ventilating and air conditioning systems exclusively serving the Premises; provided, however, that the limit of Tenant's costs for such work shall be Three Thousand and No/100 Dollars (\$3,000.00) per HVAC unit, per calendar year. Any costs in excess of this amount shall be borne by Landlord. Landlord will coordinate the quarterly preventative maintenance inspections on the HVAC units which will include filter changes, greasing and belt inspections. Any and all repairs or adjustments to the HVAC systems shall be coordinated by Landlord. All expenses associated with the quarterly preventative maintenance inspections and repair or adjustments to the HVAC system will be billed back directly to the Tenant at the time of service. (e) maintenance and repair expenses (as provided in Section 7.3 below); (f) the HVAC Expense (as defined in

Section 4.7 below); and (f) ~~(g)~~ other costs and expenses relating to the Premises, the Common Facilities, the Property, and the Park during or attributable to the Lease Term, all as hereinafter provided in this Lease.

4.6 *Tenant's Proportionate Share.* "Tenant's Proportionate Share" shall mean the percentage derived by dividing the rentable square footage of the office area only, as set forth in Section 2.3, by the rentable square footage within the Building as set forth in Section 2.5. Tenant's Proportionate Share on the date of this Lease is seven and one-half percent (7.5%). Such percentage shall be appropriately adjusted in the event of construction of additional building(s) on the Land if such building(s) share the Common Facilities.

4.7 *Monthly Deposits for Costs and Expenses Payable as Additional Rent.* Tenant covenants and agrees to pay to Landlord, monthly in advance, without notice, on each day that payment of Monthly Rent is due, amounts as hereinafter specified (the "Monthly Deposits") for: (i) payment of Taxes and Assessments (as hereinafter defined); (ii) insurance premiums payable with respect to the Property ("Insurance Premiums"); (iii) the cost and expense of maintaining and servicing the HVAC unit serving the Premises (the "HVAC Expense"); and (iv) utility charges, operating expenses and maintenance and repair expenses, as specified in Article VII below, and other costs and expenses relating to the Common Facilities and the Park (other than the Premises) (collectively, the "Expenses"), and, if the Monthly Deposits are insufficient to pay the Expenses, to pay to Landlord, within ten (10) days after demand by Landlord, amounts necessary to provide Landlord with funds to pay the same. The Monthly Deposits shall each be equal to the aggregate of 1/12 of the amount, as reasonably estimated by Landlord, of the annual HVAC Expense and Tenant's Proportionate Share of 1/12 of the amounts, as reasonably estimated by Landlord, of the annual Expenses. To the extent the Monthly Deposits exceed the Expenses, the excess amount shall, at Landlord's option, except as may be otherwise provided by law, either be paid to Tenant or credited against future Monthly Deposits or against Base Rent, or other amounts payable by Tenant under this Lease. The amount of Expenses payable by Tenant for the years in which the Lease Term commences and expires shall be subject to the provisions hereinafter contained in this Lease for proration of such amounts in such years. Prior to the dates on which payment becomes delinquent for Expenses, Landlord shall make payment of such amounts to the extent of funds from Monthly Deposits available therefor and, upon request by Tenant, shall furnish Tenant with a copy of any receipt for such payments. Except for Landlord's obligation to make payments out of funds available from Monthly Deposits, the making of Monthly Deposits by Tenant shall not limit or alter Tenant's obligation to pay any part of the Expenses, as elsewhere provided in this Lease.

4.8 *Park Expenses.* In addition to all other amounts payable by Tenant pursuant to the terms of this Lease, Tenant shall pay, as Additional Rent payable pursuant to the provisions hereinabove for Monthly Deposits, Tenant's Proportionate Share of the Park Expenses which are deemed allocated to the Property. "Park Expenses" shall mean all items listed in paragraph 4.5 hereof as Additional Rent which relate to the Park and which are not separately attributable to the Property or any other portion of the Park.

4.9 *Proration at Commencement and Expiration of Term.* Expenses shall be prorated between Landlord and Tenant for the year in which the Lease Term commences and for the year in which the Lease Term expires as of, respectively, the date of commencement of the Lease Term and the date of expiration of the Lease Term, except as hereinafter provided. Tenant shall be liable without proration for the full amount of any Taxes and Assessments relating to improvements, fixtures, equipment or personal property installed by or on behalf of Tenant which are levied, assessed, or attributable to the Lease Term. Proration of Expenses shall be made on the basis of the actual Expenses, billed during the calendar years of the Lease Term. The Tenant's Proportionate Share of Expenses for the years in which the Lease Term commences and expires shall be paid and deposited with the Landlord through Monthly Deposits as hereinabove provided, but, in the event actual Expenses for either year are greater or less than as estimated for purposes of Monthly Deposits, appropriate adjustment and payment shall be made between the parties, at the time the actual amounts are known, as may be necessary to accomplish payment or proration, as herein provided.

4.10 *Security Deposit.* At or prior to commencement of the Lease Term, Tenant shall deposit with Landlord, the sum of \$8,540.94 as a security deposit ("Security Deposit") The Security Deposit shall be retained by Landlord and may be applied by Landlord, to the extent necessary, [ILLEGIBLE] and cover any loss, cost, damage or expense, including attorney's fees sustained by Landlord by reason [ILLEGIBLE] of Tenant to comply with any provision, covenant or agreement of Tenant contained in this Lease. To [ILLEGIBLE] not necessary to cover such loss, cost, damage or expense, the Security Deposit shall be returned to Tenant until sixty (60) days after expiration of the Lease Term, or as may be otherwise provided by law. The Security Deposit shall not be considered as an advance payment of rent or as a measure of the loss, cost, damage or expense which is or may be sustained by Landlord, and shall not be applied as an offset to the last month's rent due from Tenant. In the event all or any portion of the Security Deposit is applied by Landlord to pay any such loss, cost, damage or expense, Tenant shall,

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from time to time, promptly upon demand, deposit with Landlord such amounts as may be necessary to replenish the Security Deposit to its original amount.

4.11 *General Provisions as to Monthly Deposits and Security Deposit.* Landlord shall be free to commingle the Monthly Deposits and Security Deposit with Landlord's own funds and Landlord shall not be obligated to pay interest to Tenant on account of the Monthly Deposits and Security Deposit. In the event of a transfer by Landlord of Landlord's interest in the Premises, Landlord may deliver the Monthly Deposits and Security Deposit to the transferee of Landlord's interest and Landlord shall thereupon be discharged from any further liability to Tenant with respect to such Monthly Deposits and Security Deposit. In the event of a transfer by Tenant of Tenant's interest in the Premises (Tenant's right to do being limited by Section 8.17), Landlord shall be entitled to deliver the Monthly Deposits and Security Deposit to Tenant's successor in interest and Landlord shall thereafter have no liability with respect to the Monthly Deposits and Security Deposit.

## V. TAXES AND ASSESSMENTS.

5.1 *Covenant to Pay Taxes and Assessments.* Tenant covenants and agrees to pay, as Additional Rent, Tenant's proportionate Share of Taxes and Assessments, which are billed during any calendar year falling partly or wholly within the Lease Term, payable pursuant to the provisions hereinabove for Monthly Deposits. "Taxes and Assessments" shall mean all taxes assessments or other impositions, general or special, ordinary or extraordinary, of every kind or nature, which may be levied, assessed or imposed upon or with respect to the Property or any part thereof.

5.2 *Special Assessments.* In the event any Taxes or Assessments are payable in installments over a period of years, Tenant shall be responsible only for installments billed during the calendar years within the Lease Term, with proration, as above provided, of any installment payable prior to or after expiration of the Lease Term.

5.3 *New or Additional Taxes.* Tenant's obligation to pay Tenant's proportionate Share of Taxes and Assessments shall include any Taxes and Assessments of a nature not presently in effect but which may hereafter be levied, assessed or imposed upon Landlord or upon the Property if such tax shall be based upon or arise out of the ownership, use or operation of, or the rents received from, the Property, other than income taxes of Landlord. For the purposes of computing Tenant's liability for such new type of tax or assessment, the Property shall be deemed the only property of Landlord.

5.4 *Landlord's Sole Right to Contest Taxes.* Landlord shall have the sole right to contest any Taxes or Assessments. Landlord shall pay to or credit Tenant with Tenant's proportionate Share of any abatement, reduction or recovery of any Taxes and Assessments attributable to the Lease Term, less Tenant's Proportionate Share of all costs and expenses incurred by Landlord, including attorneys' fees, in connection with such abatement, reduction or recovery.

## VI. INSURANCE.

6.1 *Casualty Insurance.* Landlord covenants and agrees to obtain and keep in full force and effect during the Lease Term, Casualty Insurance as hereinafter defined. "Casualty Insurance" shall mean fire and extended coverage insurance with respect to the Property, in an amount equal to the full replacement cost thereof, with coinsurance clauses of no less than 80%, and with coverage, at Landlord's option, by endorsement or otherwise, for all risks, vandalism and malicious mischief, sprinkler leakage, boilers, and rental loss and with a deductible in an amount for each occurrence as Landlord, in its sole discretion, may determine from time to time. Casualty Insurance obtained by Landlord need not name Tenant as an insured party but may, at Landlord's option, name any mortgagee or holder of a deed of trust as an insured party as its interest may appear. Tenant covenants and agrees to pay its Proportionate Share of the cost of Casualty Insurance obtained by Landlord as Additional Rent, payable pursuant to the provisions hereinabove for Monthly Deposits. Tenant shall be responsible for obtaining, at Tenant's cost and expense, insurance coverage for property of Tenant and for



business interruption of Tenant, and Tenant shall have no claim against Landlord for damage to its property or interruption of its business whether or not it insures the same.

6.2 *Liability Insurance.* Tenant covenants and agrees at its expense to obtain and keep in full force and effect during the Lease Term Liability Insurance as hereinafter defined. "Liability Insurance" shall mean comprehensive general liability insurance covering public liability with respect to the ownership, use and operation of the Premises, with combined single limit coverage of not less than \$2,000,000, with endorsements for assumed contractual liability with respect to the liabilities assumed by Tenant under Section 8.24 of this Lease, and with no deductible, retention or self-insurance provision contained therein, unless otherwise approved in writing by Landlord. Landlord covenants and agrees to obtain and keep in full force and effect during the Lease Term public liability insurance with respect to the ownership, use and operation of the Property, and the Common Facilities, but excluding the Premises and space leased to other tenants, with combined single limit coverage of [ILLEGIBLE] than \$1,000,000. Tenant also covenants and agrees to pay Tenant's Proportionate Share of the premium [ILLEGIBLE] of such liability insurance as Additional Rent, payable pursuant to the provisions hereinabove for Mon [ILLEGIBLE].

6.3 *General Provisions Respecting Insurance.* Except as otherwise approved in writing by Landlord, all insurance obtained by Tenant shall be on forms and with insurers selected or approved by Landlord, which approval shall not be unreasonably withheld; shall name Landlord and the holder of any first mortgage or deed of

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trust encumbering the Property as insured parties, as their interests may appear, shall contain a waiver of rights of subrogation as among Tenant, Landlord and the holder of any such first mortgage or deed of trust, and shall provide, by certificate of insurance or otherwise, that the insurance coverage shall not be cancelled or altered except upon thirty (30) days prior written notice to Landlord and the holder of any such first mortgage or deed of trust. Certificates of insurance obtained by Tenant shall be delivered to Landlord, who may deposit the same with the holder of any such first mortgage or deed of trust.

6.4 *Cooperation in the Event of Loss.* Landlord and Tenant shall cooperate with each other in the collection of any insurance proceeds which may be payable in the event of any loss, including the execution and delivery of any proof of loss or other actions required to effect recovery.

## **VII. UTILITY, OPERATING, MAINTENANCE AND REPAIR EXPENSES.**

7.1 *Utility Charges.* Tenant covenants and agrees to pay all charges for water, sewage disposal, gas, electricity, light, heat, power, telephone or other utility services used, rendered or supplied to or for the Premises and to contract for the same in Tenant's own name. Tenant also covenants and agrees to pay to Landlord Tenant's Proportionate Share of any such charges relating to Common Facilities or which are not separately metered, or billable to premises in the Building leased or held for lease to tenants, such charges to be payable pursuant to the provisions hereinabove for Monthly Deposits.

7.2 *Operating Expenses.* Tenant covenants and agrees to pay all costs and expenses of operations on or relating to the Premises, including costs and expenses for utilities, trash and garbage disposal, gardening and landscaping services, removal of snow and ice from parking areas, sidewalks and driveways serving the Premises, exterior painting, replacement of damaged or broken glass and other breakable materials in or serving the Premises and replacement of lights and light fixtures in or serving the Premises, and to contract for the same in Tenant's own name. Tenant also covenants and agrees to pay to Landlord and to pay to Landlord Tenant's Proportionate Share of any such costs and expenses incurred by Landlord relating to Common Facilities or which are not separately allocated to premises in the Building leased or held for lease to tenants, such costs and expenses to be payable pursuant to the provisions hereinabove for Monthly Deposits.

7.3 *Maintenance and Repair Expenses.* Tenant covenants and agrees to maintain, repair, replace and keep the Premises and all improvements, fixtures and personal property thereon in good, safe and sanitary condition, order and repair and in accordance with all applicable laws, ordinances, orders, rules and regulations (including, without limitation, the Americans with Disabilities Act "ADA") of governmental authorities having jurisdiction, now existing or hereafter enacted; to pay all costs and expenses in connection therewith; and to contract for the same in Tenant's own name; and to pay to Landlord, pursuant to the provisions hereinabove for Monthly Deposits, Tenant's Proportionate Share of any such costs and expenses incurred by Landlord relating to Common Facilities or which are not separately allocated to premises in the Building leased or held for lease to tenants. Such costs and expenses as to Common Facilities may include the costs and expenses of maintenance and upkeep of grass, trees, shrubs and landscaping, including replanting where necessary, landscaped areas, and parking areas secure (with guards or watchmen where Landlord deems necessary) and free from litter, dirt, debris, snow, and obstructions; and ordinary maintenance and repair of the Property and Improvements. All maintenance and repairs by Tenant shall be done promptly, in a good and workmanlike fashion, and without diminishing the original quality of the Premises or the Property. Landlord shall be responsible for and shall bear the costs and expenses of replacement of, or extraordinary maintenance and repairs to, roofs, exterior walls, sidewalks, parking lot and structural elements of the Building and Improvements, unless the need for such replacement or repair is caused by the act or neglect of Tenant.

## **VIII. OTHER COVENANTS OF TENANT.**

8.1 *Limitation on Use by Tenant.* Tenant covenants and agrees to use the Premises only for the following use or uses, general office, and for no other purposes, except with the prior written consent of Landlord.

8.2 *Compliance with Laws.* Tenant covenants and agrees that nothing shall be done or kept on the Premises in violation of any law, ordinance, order, rule or regulation of any governmental authority having jurisdiction, and that the Premises shall be used, kept and maintained in compliance with any such law, ordinance, order, rule or regulation (now existing or hereafter enacted) a [ILLEGIBLE] with the certificate of occupancy issued for the Building and the Premises.

8.3 *Compliance with Insurance Requirements.* Tenant covenants and agrees that nothing shall be done or kept on the Premises which might make unavailable or increase the cost of insurance maintained respect to the Premises or the Property, which might increase the insured risks or which might res [ILLEGIBLE] cancellation of any such insurance.

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8.4 *No Waste or Impairment of Value.* Tenant covenants and agrees that nothing shall be done or kept on the Premises or the Property which might impair the value of the Premises or the Property, or which would constitute waste.

8.5 *No Hazardous Use.* Tenant covenants and agrees that nothing shall be done or kept on the Premises or the Property and that no improvements, changes, alterations, additions, maintenance or repairs shall be made to the Premises which might be unsafe or hazardous to any person or property. Tenant shall at all times comply with its representations, warranties and covenants as set forth in Exhibit C.

8.6 *No Structural or Overloading.* Tenant covenants and agrees that nothing shall be done or kept on the Premises or the Building and that no improvements, changes, alterations, additions, maintenance or repairs shall be made to the Premises which might impair the structural soundness of the Building, which might result in an overload of the weight capacity of floors or of electricity lines serving the Building, or which might interfere with electric or electronic equipment in the Building or on any adjacent or nearby property. In the event of violations hereof, Tenant covenants and agrees to remedy immediately the violation at Tenant's expense and in compliance with all requirements of governmental authorities and insurance underwriters.

8.7 *No Nuisance, Noxious or Offensive Activity.* Tenant covenants and agrees that no noxious or offensive activity shall be carried on upon the Premises or the Property, nor shall anything be done or kept on the Premises or the Property which may be or become a public or private nuisance or which may cause embarrassment, disturbance, or annoyance to others in the Building or on adjacent or nearby property.

8.8 *No Annoying Lights, Sounds or Odors.* Tenant covenants and agrees that no light shall be emitted from the Premises which is unreasonably bright or causes unreasonable glare; no sound shall be emitted from the Premises which is unreasonably loud or annoying, and no odor shall be emitted from the Premises which is or might be noxious or offensive to others in the Building or on adjacent or nearby property.

8.9 *No Unsightliness.* Tenant covenants and agrees that no unsightliness shall be permitted on the Premises or the Property. Without limiting the generality of the foregoing, all unsightly conditions, equipment, objects and conditions shall be kept enclosed within the Premises; hallways adjoining the Premises may not be used for discarding or storing any materials; no refuse, scrap, debris, garbage, trash, bulk materials or waste shall be kept, stored or allowed to accumulate on the Premises or the Property except as may be enclosed within the Premises; all pipes, wires, poles, antenna and other facilities for utilities or the transmission or reception of audio or visual signals or electricity shall be kept and maintained underground or enclosed within the Premises or appropriately screened from view, and no temporary structure shall be placed or permitted on the Premises or the Property without the prior written consent of Landlord.

8.10 *No Animals.* Tenant covenants and agrees that no animals shall be permitted or kept on the Premises or the Property.

8.11 *Restriction on Signs and Exterior Lighting.* Tenant may install only such exterior signs as comply with Landlord's "Signage Criteria," a copy of which is attached as Exhibit D. Tenant covenants and agrees that no other signs or advertising devices of any nature shall be erected or maintained by Tenant on the Premises or the Property and no exterior lighting shall be permitted on the Premises or the Property except as approved in writing by Landlord.

8.12 *No Violation of Covenants.* Tenant covenants and agrees not to commit, suffer or permit any violation of any covenants, conditions or restrictions affecting the Premises or the Property.

8.13 *Restriction on Changes and Alterations.* Tenant may not make any structural or interior alterations (in excess of \$5,000.00) which change the Premises from the condition that existed at the time Tenant takes possession thereof. Any alterations of any kind, made by Tenant that are below the \$5,000.00 threshold shall be made in compliance with all local governmental and ADA rules and regulations. If Tenant desires to have alterations made, Tenant shall provide Landlord's managing agent with two (2) complete sets of construction drawings, and such agent shall then determine the cost of the work to be done pursuant to such drawings (such cost to include a construction supervision fee of 5% of such cost to be paid to Landlord's managing agent), and submit the cost to Tenant. Tenant may then either agree to pay Landlord the cost, in which event Landlord shall cause the work to be done, or Tenant may [ILLEGIBLE] request for alterations. If requested by Landlord at the termination of this Lease or vacation of the Pre [ILLEGIBLE] nant. Tenant shall restore (at Tenant's sole cost and expense) the Premises to the same condition as existed at the commencement of the term, ordinary wear and tear and damage by insured casualty only excepted. However, Landlord may elect to require Tenant to leave alterations performed for it unless at the time of such alterations Landlord agreed in writing that Tenant could remove them on expiration or termination of this Lease, and if Tenant does so remove Tenant shall repair any damage occasioned by such removal. Landlord reserves the right of final approval on all alterations considered to the Premises (in excess of \$5,000.00)

8.14 *No Mechanics Liens.* Tenant covenants and agrees not to permit or suffer, and to cause to be removed and released, any mechanics, materialmen or other lien on account of supplies, machinery, tools, equipment, labor or material furnished or used in connection with the construction, alteration, improvement, addition to or repair of the Premises by, through or under Tenant. Tenant shall have the right to contest, in good

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faith and with reasonable diligence, the validity of any such lien or claimed lien, provided that Tenant shall give to Landlord such security as may be reasonably requested by Landlord to insure the payment of any amounts claimed including interests and costs, and to prevent any sale, foreclosure or forfeiture of any interest in the Property or account of any such lien and provided that, on final determination of the lien or claim for lien, Tenant shall immediately pay any judgment rendered, with interests and costs, and will cause the lien to be released and any judgment satisfied.

8.15 *No Other Encumbrances.* Tenant covenants and agrees not to obtain any financing secured by Tenant's interest in the Premises and not to encumber the Premises, or Landlord or Tenant's interest therein, without the prior written consent of Landlord, and to keep the Premises free from all liens and encumbrances except those created by Landlord.

8.16 *Subordination to Landlord Mortgages.* Tenant covenants and agrees that, at Landlord's option, this Lease and Tenant's interest in the Premises shall be junior and subordinate to any mortgage or deed of trust now or hereafter encumbering the Property if in any mortgage or deed of trust given hereunder, the mortgagee or beneficiary under such mortgage or deed of trust agrees in writing, or adequate provision is made in the mortgage or deed of trust, that, in the event of foreclosure of any such mortgage or deed of trust, Tenant shall not be disturbed in its possession of the Premises conditioned only on Tenant attorning to the party acquiring title to the Property as the result of such foreclosure. Tenant covenants and agrees, within fifteen (15) days of request of Landlord, to execute such documents as may be necessary or appropriate to confirm and establish this Lease as subordinate to any such mortgage or deed of trust in accordance with the foregoing provisions. Alternatively, Tenant covenants and agrees that, at Landlord's request, Tenant shall execute documents as may be necessary to establish this Lease and Tenant's interest in the Premises as superior to any such mortgage or deed of trust. If Tenant fails to execute any documents required to be executed by Tenant under the provisions hereof, Tenant hereby makes, constitutes and irrevocably appoints Landlord as Tenant's attorney in fact and in Tenant's name, place and stead to execute any such documents.

8.17 *No Assignment or Subletting.* Tenant shall have the right to assign or sublease the Premises under this Lease agreement to another party subject to Landlord's prior written approval, which approval shall not be unreasonably withheld. Any assignment or sublease to which Landlord may consent (one consent not being any basis that Landlord should grant any further consent) shall not relieve Tenant of any or all of its obligations hereunder. For the purpose of this Section 8.17, the word "assignment" shall be defined and deemed to include the following: (i) if Tenant is a partnership, the withdrawal or change, whether voluntary, involuntary or by operation of law of partners owning thirty percent (30%) or more of the partnership, or the dissolution of the partnership; (ii) if Tenant consists of more than one person, as assignment, whether voluntary, involuntary, or by operation of law, by one person to one of the other persons that is a Tenant; (iii) if Tenant is a corporation, any dissolution or reorganization of Tenant, or the sale or other transfer of a controlling percentage (hereafter defined) of capital stock of Tenant other than to an affiliate or subsidiary or the sale of fifty-one percent (51%) in value of the assets of Tenant; (iv) if Tenant is a Limited Liability Company, the change of members whose interest in the Company is 50% or more. The phrase "controlling percentage" means the ownership of, and the right to vote, stock possessing at least fifty-one percent (51%) of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors, or such lesser percentage as is required to provide actual control over the affairs of the corporation. Acceptance of Rent by Landlord after any non-permitted assignment shall not constitute approval thereof by Landlord. Notwithstanding the foregoing provisions of this Section 8.17, Tenant may assign or sublease part or all of the Premises without Landlord's consent to: (i) any corporation or partnership that controls, is controlled by, or is under common control with, Tenant; or (ii) any corporation resulting from the merger or consolidation with Tenant or to any entity that acquires all of Tenant's assets as a going concern of the business that is being conducted on the Premises, as long as the assignee or sublessee is a bona fide entity and assumes the obligations of Tenant, and continues the same use as permitted under Section 8.1. However, Landlord must be given prior written notice of any such assignment or subletting, and failure to do so shall be a default hereunder. Landlord will never consent to an assignment or sublease that might result in a use that conflicts with the rights of an existing tenant.

In no event shall this Lease be assignable by operation of any law, and Tenant's rights hereunder may not become, and shall not be listed by Tenant as an asset under any bankruptcy, insolvency or reorganization proceedings. Tenant is not, may not become, and shall never represent itself to be an agent of Landlord, and Tenant acknowledges that Landlord's title is paramount, and that it can do nothing to affect or impair Landlord's title.

If this Lease shall be assigned or the Premises or any portion thereof sublet by Tenant at a rental that exceeds the rentals to be paid to Landlord hereunder attributable to the Premises or portion thereof so assigned or sublet, then fifty (50%) percent of any excess, after deducting all reasonable and customary costs incurred by Tenant in securing such assignment shall be paid over to Landlord by Tenant

8.18 *Annual Financial Statements.* Tenant covenants and agrees to furnish to Landlord annually, within ninety (90) days after the end of each fiscal year of Tenant, copies of financial statements of Tenant, audited if requested by Landlord, by a certified public accountant, and agrees that Landlord may deliver any such financial

statements to any existing or prospective mortgagee or purchaser of the Property. The financial statements shall include a balance sheet as of the end of, and a statement of profit and loss for, the preceding fiscal year of Tenant.

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8.19 *Payment of Income and Other Taxes.* Tenant covenants and agrees to pay promptly when due all property taxes on personal property of Tenant on the Premises and all federal, state and local income taxes sales taxes, use taxes, Social Security taxes, unemployment taxes and taxes withheld from wages or salaries paid to Tenant's employees, the nonpayment of which might give rise to a lien on the Premises or Tenant's interest therein and to furnish, if requested by Landlord, written evidence of such payments.

8.20 *Estoppel Certificates.* Tenant covenants and agrees to execute, acknowledge and deliver to Landlord, within ten (10) days of Landlord's written request, a written statement certifying that this Lease is unmodified (or, if modified, stating the modifications) and in full force and effect, stating the dates to which Base Rent has been paid; stating the amount of the Security Deposit held by Landlord; stating the amount of Monthly Deposits held by Landlord for the then tax and insurance year, and stating whether or not Landlord is in default under this Lease (and, if so, specifying the nature of the default). Tenant agrees that such statement may be delivered to and relied upon by any existing or prospective mortgagee or purchaser of the Property. Tenant agrees that a failure to deliver such a statement within ten (10) days after written request from Landlord shall be conclusive upon Tenant that this Lease is in full force and effect without modification except as may be represented by Landlord; that there are no uncured defaults by Landlord under this Lease; and that any representation by Landlord with respect to Base Rent, the Security Deposit and Monthly Deposits are true.

8.21 *Landlord Right to Inspect and Show Premises and to Install For Sale Signs.* Tenant covenants and agrees that Landlord and authorized representatives of Landlord shall have the right to enter the Premises with 24 hour prior notice, at any reasonable time during ordinary business hours for the purposes of inspecting or maintaining the same, and making such repairs, alterations or changes as Landlord deems necessary, or performing any obligations of Tenant which Tenant has failed to perform hereunder or for the purposes of showing the Premises to any existing or prospective mortgagee, purchaser or lessee of the Property or the Premises Tenant covenants and agrees that Landlord may at any time and from time to time place on the Property or the Premises a sign advertising the Property for sale or for lease.

8.22 *Landlord Title to Fixtures, Improvements and Equipment.* Tenant covenants and agrees that all fixtures and improvements on the Premises and all equipment and personal property relating to the use and operation of the Premises (as distinguished from operations incident to the business of Tenant), including all plumbing, heating, lighting, electrical and air conditioning fixtures and equipment, whether or not attached to or affixed to the Premises, and whether now or hereafter located upon the Premises, except for the generator and the supplemental HVAC unit located in the computer room that the Tenant will be responsible for installing and removing shall be and remain the property of the Landlord upon expiration of the Lease Term. Tenant is responsible for repairing any damages caused to the building that are associated with the installation or removal of the private generator and supplemental HVAC unit.

8.23 *Removal of Tenant's Equipment.* Tenant covenants and agrees to remove, not later than the expiration date of the Lease Term, all of Tenant's Equipment, as hereinafter defined. "Tenant's Equipment" shall mean all equipment, apparatus, machinery, signs, furniture, furnishings and personal property used in the operation of the business of Tenant (as distinguished from the use and operation of the Premises) and the generator and supplemental air unit in the computer room. If such removal shall injure or damage the Premises, Tenant covenants and agrees, at its sole cost and expense, at or prior to the expiration of the Lease Term, to repair such injury and damage in good and workmanlike fashion and to place the Premises in the same condition as the Premises would have been in if such Tenant's Equipment had not been installed. If Tenant fails to remove any Tenant's Equipment by the expiration of the Lease Term, Landlord may, at its option, keep and retain any such Tenant's Equipment or dispose of the same and retain any proceeds thereof and Landlord shall be entitled to recover from Tenant any costs or expenses of Landlord in removing the same and in restoring the Premises in excess of the actual proceeds, if any, received by Landlord from disposition thereof.

8.24 *Reciprocal Indemnity.* Tenant shall indemnify and hold Landlord harmless from and against any and all claims arising out of (i) Tenant's use of the Premises or any part thereof, (ii) any activity, work, or other thing done, permitted or suffered by Tenant in or about the Premises or the Building, or any part thereof, (iii) any breach or default by Tenant in the performance of any of its obligations under this Lease, or (iv) any act of negligence or deliberate misconduct of Tenant, or any office, agent, employee, contractor, servant, invitee or guest of Tenant, and in each case from and against any and all damages, losses, liabilities, lawsuits, costs and expenses (including attorneys' fees at all tribunal levels) arising in connection with any such claim or claims as described in (i) through (iv) above, or any action brought thereon.

Subject to the foregoing, Landlord shall indemnify and hold Tenant harmless from and against any and all claims arising out of (a) Landlord's use of the Building or any part thereof, (b) any activity, work, or other thing done, permitted or suffered by Landlord in or about the Building or any part thereof other than the Premises, (c) any breach or default by Landlord in the performance of any of its obligations under this Lease, or (d) any act of negligence or deliberate misconduct of Landlord, or any officer, agent, employee, contractor, servants, invitee or guest of Landlord, and in each case from and against any and all damages, losses, liabilities, lawsuits, costs and expenses (including attorneys' fees at all tribunal levels arising in connection with any such claim or claims as described in (a) through (d) above, or any action [ILLEGIBLE] hereon.

If such indemnified action is brought against either party, the indem [ILLEGIBLE] shall, upon written notice from the indemnified party, defend the same through counsel selected by the indemnified party's insurer, or other counsel acceptable to the indemnified party. Tenant assumes all risk of damage or loss to its property or injury or death to persons in, on, or about the Premises, from all causes except those for which the law imposes liability on Landlord regardless of any attempted waiver thereof, and Tenant hereby waives such claims in respect thereof against Landlord. The provisions of this paragraph shall survive the termination of this Lease.

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8.25 *Waiver by Tenant.* Tenant waives and releases any claims Tenant may have against Landlord or Landlord's officers, agents or employees for loss, damage or injury to person or property sustained by Tenant or Tenant's officers, agents, employees, guests, invitees or anyone claiming by, through or under Tenant resulting from any cause whatsoever other than Landlord's gross negligence or willful misconduct.

8.26 *Release upon Transfer by landlord.* In the event of a transfer by Landlord of the Property or a Landlord's interest as Landlord under this Lease, Landlord's successor or assign shall take subject to and be bound by this Lease and, in such event, Tenant covenants and agrees that: Landlord shall be released from all obligation of Landlord under this Lease, except obligations which arose and matured prior to such transfer by Landlord; that Tenant shall thereafter look solely to Landlord's successor or assign for satisfaction of the obligations of Landlord under this Lease; and that Tenant shall attorn to such successor or assign.

8.27 *Compliance with ADA.* Tenant covenants and agrees that nothing shall be done or kept by Tenant on the Premises or in the Common Facilities in violation of ADA, and that Tenant shall maintain, repair, replace, keep and use the Premises and all improvements, fixtures and personal property therein and thereon, and conduct its business within the Premises, in accordance with the requirements of ADA. If any improvements, alterations or repairs to the Premises are required by governmental authority under ADA or its implementing regulations or guidelines, Tenant shall be solely responsible for all non-structural items and any structural items due to Tenant's specific use of the Premises. Tenant covenants and agrees to pay all costs and expenses in connection with the performance of its obligations under this Section 8.27. Nothing contained in this Section 8.27 shall be construed to limit the generality of the provisions of Section 8.2 respecting Tenant's obligation to comply with applicable laws and of the provisions of Section 8.13 respecting Tenant's obligation to comply with ADA and other applicable laws in connection with any Change.

## **IX. DAMAGE OR DESTRUCTION.**

9.1 *Tenant's Notice of Damage.* If any portion of the Premises shall be damaged or destroyed by fire or other casualty, Tenant shall give prompt written notice thereof to Landlord ("Tenant's Notice of Damage").

9.2 *Options to Terminate if Damage Substantial.* Upon receipt of Tenant's Notice of Damage, Landlord shall promptly proceed to determine the nature and extent

of the damage or destruction and to estimate the time necessary to repair or restore the Premises. As soon as reasonably possible, but in no event longer than 30 days, Landlord shall give written notice to Tenant stating Landlord's estimate of the time necessary to repair or restore the Premises ("Landlord's Notice of Repair Time"). If Landlord reasonably estimates that repair or restoration of the Premises cannot be completed within 180 days from the time of Tenant's Notice of Damage, Landlord and Tenant shall each have the option to terminate this Lease. In the event however, that the damage or destruction was caused by the act or omission of Tenant or Tenant's officers, employees, agents, guests or invitees or of anyone claiming by, through or under Tenant, Landlord shall have the option to terminate this Lease if Landlord reasonably estimates that the repair or restoration cannot reasonably be completed within 180 days from the time of Tenant's Notice of Damage, but Tenant shall not have the option to terminate this Lease. Any option granted hereunder shall be exercised by written notice to the other party given within 10 days after Landlord's Notice of Repair Time. In the event either Landlord or Tenant exercises its option to terminate this Lease, the Lease Term shall expire 10 days after the notice by either Landlord or Tenant exercising such party's option to terminate this Lease. In the event of termination of this Lease under the provisions hereof, Landlord shall refund to Tenant such amounts of Base Rent and Additional Rent theretofore paid by Tenant as may be applicable to the period subsequent to the time of Tenant's Notice of Damage less the reasonable value of any use or occupation of the Premises by Tenant subsequent to the time of Tenant's Notice of Damage.

9.3 *Obligations to Repair and Restore.* In the event there are sufficient funds, and such funds are available to Landlord to repair and restore and repair of the Premises, and restoration can be completed within the period specified in Section 9.2, in Landlord's reasonable estimation, this Lease shall continue in full force and effect and Landlord shall proceed forthwith to cause the Premises to be repaired and restored with reasonable diligence and there shall be abatement of Base Rent and Additional Rent proportionate to the extent of the space and period of time that Tenant is unable to use and enjoy the Premises. Landlord may, at its option, require Tenant to arrange for and handle the repair and restoration of the Premises, in which case Landlord shall furnish Tenant with sufficient funds for such repair and restoration, at the time or times such funds are needed, utilizing any proceeds from insurance and any additional funds necessary to cover the costs of repair or restoration.

9.4 *Application of Insurance Proceeds.* The proceeds of any Casualty Insurance, maintained on the Premises, other than casualty insurance maintained by Tenant on fixtures and personal property of Tenant, shall be paid to and become the property of Landlord, subject to any obligation of Landlord to cause the Premises to be repaired and restored, which obligation is contingent on casualty insurance proceeds adequate to [ILLEGIBLE] the repair or restoration being available to Landlord.

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## **X. CONDEMNATION.**

10.1 *Taking — Substantial Taking — Insubstantial Taking.* A "Taking" shall mean the taking of all or any portion of the Premises as a result of the exercise of the power of eminent domain or condemnation for public or quasi-public use or the sale of all or part of the Premises under the threat of condemnation. A "Substantial Taking" shall mean a Taking of so much of the Premises that the Premises cannot thereafter be reasonably used by Tenant for carrying on, at substantially the same level or scope, the business theretofore conducted by Tenant on the Premises. An "Insubstantial Taking" shall mean a Taking such that the Premises can thereafter continue to be used by Tenant for carrying on, at substantially the same level or scope, the business theretofore conducted by Tenant on the Premises.

10.2 *Termination on Substantial Taking.* If there is a Substantial Taking with respect to the Premises, the Lease Term shall expire on the date of vesting of title pursuant to such Taking. In the event of termination of this Lease under the provisions hereof, Landlord shall refund to Tenant such amounts of Base Rent and Additional Rent theretofore paid by Tenant as may be applicable to the period subsequent to the time of termination of this Lease.

10.3 *Restoration on Insubstantial Taking.* In the event of an Insubstantial Taking, this Lease shall continue in full force and effect, Landlord shall proceed forthwith to cause the Premises to be restored as near as may be to the original condition thereof and there shall be abatement of Base Rent and Additional Rent proportionate to the extent of the space so taken. Landlord may, at its option, require Tenant to arrange for and handle the restoration of the Premises, in which case Landlord shall furnish Tenant with sufficient funds for such restoration, at the time or times such funds are needed, utilizing the proceeds of any awards or consideration received as a result of the Taking and any additional funds necessary to cover the costs of restoration.

10.4 *Right to Award.* The total award, compensation, damages or consideration received or receivable as a result of a Taking ("Award") shall be paid to and be the property of Landlord, whether the Award shall be made as compensation for diminution of the value of the leasehold or the fee of the Premises or otherwise and Tenant hereby assigns to Landlord, all of Tenant's right, title and interest in and to any such Award. Tenant covenants and agrees to execute, immediately upon demand by Landlord, such documents as may be necessary to facilitate collection by Landlord of any such Award. Tenant, however, shall be entitled to apply for compensation, if available, for its relocation and for any of its personal property taken.

## **XI. DEFAULTS BY TENANT.**

If Tenant: (i) fails to pay when due any Rent, or any other sum of money which Tenant is obligated to pay, as provided in this Lease within 15 days of written notice by certified mail except for disputed items which shall be resolved within 30 days of such notice; or (ii) breaches any other agreement, covenant or obligation herein set forth and such breach shall continue and not be remedied within thirty (30) days after Landlord shall have given Tenant written notice specifying the breach, or if such breach cannot, with due diligence, be cured within said period of thirty (30) days and Tenant does not within said thirty (30) day period commence and thereafter with reasonable diligence completely cure the breach within thirty (30) days after notice; or (iii) files (or has filed against it and not stayed or vacated within sixty (60) days after filing) any petition or action for relief under any creditor's law (including bankruptcy, reorganization, or similar action), either in state or federal court; or (iv) makes any transfer in fraud of creditors as defined in Section 548 of the United States Bankruptcy Code (11 U.S.C. 548, as amended or replaced), has a receiver appointed for its assets (and appointment shall not have been stayed or vacated within thirty (30) days), or makes an assignment for benefit of creditors; then Tenant shall be in default hereunder, and, in addition to any other lawful right or remedy which it may have, Landlord may do the following: (i) terminate this Lease; (ii) repossess the Premises, and with or without terminating, relet the same at such amount as Landlord deems reasonable; and if the amount for which the Premises is relet is less than Tenant's Rent and all other obligations of Tenant to Landlord hereunder, Tenant shall immediately pay the difference or demand to Landlord, but if in excess of Tenant's Rent, and all other obligations of Tenant hereunder, the entire amount obtained from such reletting shall belong to Landlord, free of any claim of Tenant thereto; or (iii) with obtaining any court authorization, lock the Premises and deny Tenant access thereto. All reasonable expenses of Landlord in repairing, restoring, or altering the Premises for reletting as general office space, together with leasing fees and all other expenses in seeking and obtaining a new tenant, shall be charged to and be a liability of Tenant. Landlord's reasonable attorneys' fees in pursuing any of the foregoing remedies, or in collecting any Rent due by Tenant hereunder, shall be paid by Tenant.

Tenant further agrees that Landlord may obtain an order for summary ejectment from any court of competent jurisdiction without prejudice to Landlord's rights to otherwise collect rents from Tenant.

All rights and remedies of Landlord are cumulative, and the exercise of any one shall not be an election excluding Landlord at any other time from exercise of a different or inconsistent remedy. No exercise by Landlord of any right or remedy granted herein shall constitute or effect a termination of this Lease unless Landlord shall so elect by written notice delivered to Tenant.

No waiver by Landlord of any covenant or condition shall be deemed to imply or constitute a f [ILLEGIBLE] waiver of the same at a later time, and acceptance of Rent by Landlord, even with knowledge of a default Tenant, shall not constitute a waiver of such default.

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## **XII. SURRENDER AND HOLDING OVER.**

12.1 *Surrender Upon Lease Expiration.* Upon the expiration or earlier termination of this Lease, or on the date specified in any demand for possession by Landlord after any Default by Tenant, Tenant covenants and agrees to surrender possession of the Premises to Landlord in the same condition as when Tenant first occupied the

Premises, ordinary wear and tear and damage by fully insured casualty excepted.

12.2 *Holding Over.* It Tenant shall hold over after the expiration of the Lease Term or other termination of this Lease, such holding over shall not be deemed to be a renewal of this Lease but shall be deemed to create a tenancy-at-sufferance and by such holding over Tenant shall continue to be bound by all of the terms and conditions of this Lease except that during such tenancy-at-sufferance, Tenant shall pay to Landlord (a) Rent at the rate equal to one hundred fifty percent (150%) of that provided for in the foregoing Article 4, and (b) any and all operating expenses and other forms of Additional Rent payable under the terms of this Lease The increased Rent during such holding over is intended to partially compensate Landlord for losses, damages and expenses, including frustrating and delaying Landlord's ability to secure a replacement tenant. If Landlord loses a prospective tenant because Tenant fails to vacate the Premises on expiration of this Lease after notice to do so, Tenant will be liable for such damages as Landlord can prove because of Tenant's wrongful failure to vacate.

### XIII. MISCELLANEOUS.

13.1 *No Implied Waiver.* No failure by Landlord to insist upon the strict performance of any term, covenant or agreement contained in this Lease, no failure by Landlord to exercise any right or remedy under this Lease, and no acceptance of full or partial payment during the continuance of any Default by Tenant, shall constitute a waiver of any such term, covenant or agreement or a waiver of any such right or remedy or a waiver of any such Default by Tenant

13.2 *Survival of Provisions.* Notwithstanding any termination of this Lease, the same shall continue in force and effect as to any provisions hereof which require observance or performance by Landlord or Tenant subsequent to termination.

13.3 *Right to Relocate.* Intentionally Omitted

13.4 *Covenants Independent.* This Lease shall be construed as if the covenants herein between Landlord and Tenant are independent, and not dependent

13.5 *Covenants as Conditions.* Each provision of this Lease performable by Tenant shall be deemed both a covenant and a condition.

13.6 *Tenant's Remedies.* Tenant may bring a separate action against Landlord for any claim Tenant may have against Landlord under this Lease, provided Tenant shall first give written notice thereof to Landlord and shall afford Landlord a reasonable opportunity to cure any such default. In addition Tenant shall send notice of such default by certified or registered mail, postage prepaid, to the holder of any mortgage or deed of trust covering the Premises, the Property or any portion thereof of whose address Tenant has been notified in writing, and shall afford such holder a reasonable opportunity to cure any default on Landlord's behalf. In no event will Landlord be responsible to Tenant for any damages for loss of profits or interruption of business as a result of any default by Landlord hereunder.

13.7 *Binding Effect.* This Lease shall extend to and be binding upon the heirs, executors, legal representative, successors and assigns of the respective parties hereto. The terms, covenants, agreements and conditions in this Lease shall be construed as covenants running with the Land

13.8 *Notices and Demands.* All notices, demands or billings under this Lease shall be in writing, signed by the party giving the same and shall be deemed properly given and received when actually given and received or three (3) business days after mailing, if sent by registered or certified United States mail, postage prepaid, addressed the party to receive the notice at the address set forth for such party in the first paragraph of this Lease, or at such other address as either party may notify the other in writing, with copies, in the case of notices given by Tenant to Landlord, to ~~Highwoods Realty Limited Partnership, 4501 Highwoods Parkway, Suite 400, Glen Allen, Virginia 22060~~ Notices on behalf of either party may be given by such party's respective counsel. Addresses for notices may be [ILLEGIBLE] be same manner provided for giving notices but shall not be effective until ten (10) days elapse after then [ILLEGIBLE]

13.9 *Time of the Essence.* Time is of the essence under this Lease, and all provisions herein relating thereto shall be strictly construed.

13.10 *Captions for Convenience.* The headings and captions hereof are for convenience only and shall not be considered in interpreting the provisions hereof.

13.11 *Severability.* If any provision of this Lease shall be held invalid or unenforceable, the remainder of this Lease shall not be affected thereby, and there shall be deemed substituted for the affected provisions a valid and enforceable provision as similar as possible to the affected provision.

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13.12 *Governing Law.* This Lease shall be interpreted and enforced according to the laws of the Commonwealth of Virginia.

13.13 *Entire Agreement.* This Lease and any exhibits and addenda referred to herein, constitute the final and complete expression of the parties' agreements with respect to the Premises and Tenant's occupancy thereof. Each party agrees that it has not relied upon or regarded as binding any prior agreements, negotiations, representations, or understandings, whether oral or written, except as expressly set forth herein. Both parties have participated in the preparation of this Lease and in resolving any ambiguities, and there shall be no presumption that they are construed against the drafting party.

13.14 *No Oral Amendment or Modifications.* No amendment or modification of this Lease, and no approvals, consents or waivers by Landlord under this Lease, shall be valid or binding unless in writing and executed by the party to be bound.

13.15 *Real Estate Brokers.* Tenant covenants to pay, hold harmless and indemnify the Landlord from and against any and all cost, expense or liability for any compensation, commissions, charges or claims by any broker or other agent with respect to this Lease or the negotiation thereof other than Highwoods Properties, Inc. or any of its affiliates, and any other broker here listed as a Participating Broker: Porter Realty Company.

13.16 *Relationship of Landlord and Tenant.* Nothing contained herein shall be deemed or construed as creating the relationship of principal and agent or of partnership, or of joint venture by the parties hereof, it being understood and agreed that no provision contained in this Lease nor any acts of the parties hereto shall be deemed to create any relationship other than the relationship of Landlord and Tenant.

13.17 *Authority of Tenant.* Each individual executing this Lease on behalf of Tenant represents and warrants that such individual is duly authorized to deliver this Lease on behalf of Tenant and that this Lease is binding upon Tenant in accordance with its terms, and agrees to document such authorization to Landlord's satisfaction if requested to do so.

13.18 *Exculpation.* Any provision of this Lease to the contrary notwithstanding Landlord shall have no personal liability for payment of any damages or performance of any term, provision or condition under this Lease or under any other instrument in connection with this Lease, and Tenant shall look for such payment or performance to the property, the rents, issues and profits thereof, in satisfaction of any claim, order or judgment Tenant may at any time obtain against Landlord in connection with this Lease.

13.19 *Notices.* Rent Payment Address: Principal Life Insurance Company Co.

at c/o Robinson Sigma Commercial Real Estate Inc.

P. O. Box 13470

Richmond, Virginia 23225—8470

Tax I.D. # 56 - 1869557

Legal Notice Address: Principal Life Insurance Co.

711 High Street

Des Moines, Iowa 50392

With Copy to: Robinson Sigma Commercial Real Estate Inc.

1001 Boulders Parkway, Suite 401

Richmond, Virginia 23225

ATTN.: Lease Administrator

TENANT: Service Partners, LLC

C/o Jeff Mollerick 1029

Technology Park Drive

Glen Allen, Virginia 23060

Facsimile # 804-730-6879

IN WITNESS WHEREOF, Landlord and Tenant have executed this lease in duplicate originals, all as of the day and year first above written.

LANDLORD:

**PRINCIPAL LIFE INSURANCE CO.**

MICHAEL D. RIPSON

Assistant Director

Commercial Real Estate/Equities  
an Iowa Corporation

By: /s/ Michael D. Ripson

Typed Name:

Commercial Real Estate  
Closing/Loan Administration

By:

(CORPORATE SEAL)

ATTEST:

Secretary

**Service Partners, LLC.**

a Virginia Limited Liability Company

By: /s/ Mark R. Moore  
Vice President

Date: 8/10/99

ATTEST:

/s/ Janet S. Rapalee

#### ACKNOWLEDGEMENTS

STATE OF Iowa  
COUNTY OF Polk

I, the undersigned Notary Public, certify that Michael D. Ripson personally came before me this day and acknowledged that he is a general partner of Principal Mutual Life Ins. a partnership, and that by authority duly given and at the act of said corporation, the foregoing instrument was signed for the purposes therein expressed.

WITNESS my hand and notarial seal, this 23<sup>rd</sup> day of august, 1999.

/s/ MARIE J. MILLER  
Notary Public  
My Commission Expires:



MARIE J. MILLER  
My Commission Expires:  
February 4, 2001

STATE OF Virginia  
COUNTY OF Hanover

I, the undersigned Notary Public, certify that MARK MOORE personally came before me this day and acknowledged that he is VICE PRESIDENT of SERVICE PARTNERS LLC , a VA LLC corporation, and that by authority duly given and as the act of the corporation, the forgoing instrument was signed in its name by MARK MOORE, as its VICE President, attested by JANET ZAPALER, and sealed with its common corporate seal.

WITNESS my hand and notarial seal, this 10<sup>th</sup> day of august, 1999.

Jennifer B. Smith

Notary Public

My Commission Expires:

11/30/99

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**EXHIBIT A**

**PREMISES**

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**EXHIBIT B**

**PLANS AND SPECIFICATIONS FOR THE PREMISES (IF AVAILABLE)**

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**EXHIBIT C**

**ENVIRONMENTAL COMPLIANCE**

**I. Tenant's Representations, Warranties and Covenants Concerning the Use of Hazardous Substances/Periodic Notice**

(a) *Acceptance of Property and Covenant to Surrender.* Tenant accepts the Property as being in good and sanitary order, condition and repair and accepts all buildings and other improvements in their present condition. Tenant agrees on the last day of the term of this Lease, to surrender the Premises to Landlord in good and sanitary order, condition and repair, except for such wear and tear as would be normal for the period of the Tenant's occupancy.

No spill, deposit, emission, leakage or other release of Hazardous Substances on the Property or the soil, surface water or groundwater thereof shall be deemed to be "wear and tear that would be normal for the period of the Tenant's occupancy." Tenant shall be responsible to promptly and completely clean up any such release caused by Tenant, its officers and employees, agents, contractors, and invitees as shall occur on the Property during the term of this Lease and shall surrender the Property free of any contamination or other damage caused by such occurrences during the term of the Lease.

(b) *Maintenance of Premises.* Tenant shall, at its sole cost and expense, keep and maintain the Premises in good and sanitary order, condition, and repair. As part of this maintenance obligation, Tenant shall promptly respond to and clean up any release by Tenant or threatened release of any Hazardous Substance into the drainage systems, soil, surface water, groundwater, or atmosphere, in a safe manner, in strict accordance with Applicable Law, and as authorized or approved by all federal, state, and/or local agencies having authority to regulate the permitting, handling, and cleanup of Hazardous Substances.

(c) *Use of Hazardous Substances.* Tenant shall not use, store, generate, treat, transport, or dispose of any Hazardous Substance on the Property without first obtaining Landlord's written approval. Tenant shall notify Landlord and seek such approval in writing at least 30 days prior to bringing any Hazardous Substance onto the Property. Landlord may withdraw approval of any such Hazardous Substance at any time, for reasonable cause related to the threat of site contamination, or damage or injury to persons, property or resources on or near the Property. Upon withdrawal of such approval, Tenant shall immediately remove the Hazardous Substance from the site. Landlord's failure to approve the use of a Hazardous Substance under this paragraph shall not limit or affect Tenant's obligations under this Lease, including Tenant's duty to remedy or remove releases or threatened releases; to comply with Applicable Law relating to the use, storage, generation, treatment, transportation, and/or disposal of any such Hazardous Substances; or to indemnify Landlord against any harm or damage caused thereby.

(d) *Reports to Landlord.* For any month in which any Hazardous Substances have been used, generated, treated, stored, transported or otherwise been present on or in the Property pursuant to the provisions of the preceding paragraph, Tenant shall provide Landlord with a written report listing the Hazardous Substances which were present on the Property; all releases of Hazardous Substances that occurred or were discovered on the Property; all compliance activities related to such Hazardous Substances, including all contacts with government agencies or private parties of any kind concerning Hazardous Substances; and all manifests, business plans, consent agreements or other documents relating to Hazardous Substances executed or requested during that time period. The report shall include copies of all documents and correspondence related to such activities and written reports of all oral contacts relating thereto.

(e) *Entry By Landlord.* Tenant shall permit Landlord and his agents to enter into and upon the Premises, without notice, at all reasonable times for the purpose of inspecting the Premises and all activities thereon, including activities involving Hazardous Substances, or for purposes of maintaining any buildings on the Property. Such right of entry and inspection shall not constitute managerial or operational control by Landlord over any activities or operations conducted on the Property by Tenant.

**II. Tenant's Indemnity and Release**

(a) *Indemnity*

(i) Tenant hereby indemnifies, defends and holds harmless Landlord from and against any suits, actions, legal or administrative proceedings, demands, claims, liabilities, fines, penalties, losses, injuries, damages, expenses or costs, including interest and attorneys' fees, incurred by, claimed or assessed against Landlord under any laws, rules, regulations including, without limitation, Applicable Laws (as hereinafter defined), in any way connected with any injury to any person or damage to any property or any loss to Landlord caused by Tenant, its officers, employees, agents, contractors, and invitees occasioned in any way by Hazardous Substances (as hereinafter defined) on the Property or the Premises.

(ii) This indemnity specifically includes the direct obligation of Tenant to perform any remedial or other activities required, ordered, recommended or requested by any agency, government official or third party, or otherwise necessary to avoid or minimize injury or liability to any person, or to prevent the spread of pollution, however it came to

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be located thereon (hereinafter, the "Remedial Work"). Tenant shall perform all such work in its own name in accordance with Applicable Laws (as hereinafter defined).

(iii) Without waiving, its rights hereunder, Landlord may, at its option, perform such remedial or removal work as described in clause (ii) above, and thereafter seek reimbursement for the costs thereof. Tenant shall permit Landlord access to the Property to perform such remedial activities.

(iv) Whenever Landlord has incurred costs described in this section, Tenant shall, within 10 days of receipt of notice thereof, reimburse Landlord for all such expenses together with interest from the date of expenditure at the “applicable federal rate” established by the Internal Revenue Service.

(b) *Agency or Third Party Action.* Without limiting its obligations under any other paragraph of this Agreement, Tenant shall be solely and completely responsible for responding to and complying with any administrative notice, order, request or demand, or any third party claim or demand relating to potential or actual contamination on the Premises. The responsibility conferred under this paragraph includes but is not limited to responding to such orders on behalf of Landlord and defending against any assertion of Landlord’s financial responsibility or individual duty to perform under such orders. Tenant shall assume, pursuant to paragraph (a) above, any liabilities or responsibilities which are assessed against Landlord in any action described under this paragraph (b).

(c) *Release.* Tenant hereby waives, releases and discharges forever Landlord from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with Landlord’s use, maintenance, ownership or operation of the Property, any condition of environmental contamination of the Property, or the existence of Hazardous Substances in any state on the Property, however they came to be emplaced there.

### III. Definitions.

a) *Hazardous Substance.* “Hazardous Substance(s)” shall mean any substance which at any time shall be listed as “hazardous” or “toxic” under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 U.S.C. 9601 et seq., as amended and the Resource Conservation and Recovery Act (“RCRA”), 42 U.S.C. 6901 et seq., as amended, or in the regulations implementing such statutes, or which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under any other Applicable Laws (as hereinafter defined). The term “Hazardous Substance(s)” shall also include, without limitation, raw materials, building components, the products of any manufacturing or other activities on the Property, wastes, petroleum products, or special nuclear or by-product material as defined by the Atomic Energy Act of 1954, 42 U.S.C. 3011, et seq., as amended.

(b) *Applicable Law(s).* “Applicable Law(s)” shall include, but shall not be limited to, CERCLA, RCRA, the Federal Water Pollution Control Act, 33 U.S.C. 1251 et seq., the Clean Air Act, 42 U.S.C. 7401 et seq., as amended, and the regulations promulgated thereunder, and any other federal, state and/or local laws or regulations, whether currently in existence or hereafter enacted or promulgated, that govern or relate to:

- (i) The existence, cleanup and/or remedy of contamination of property;
- (ii) The protection of the environment from spilled, deposited or otherwise emplaced contamination;
- (iii) The control of hazardous or toxic substances or wastes; or
- (iv) The use, generation, discharge, transportation, treatment, removal or recovery of hazardous or toxic substances or wastes, including building materials.

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## EXHIBIT D

### SIGN AND GENERATOR CRITERIA

The Building is known as Virginia Center Technology Park with a ground mounted sign at the entrance on Technology Drive. The Tenant may have signage on the building exterior but must meet all local county ordinances and must have Virginia Center Owners Association approval. Landlord reserves the right of final approval for any and all signage, which approval will not be unreasonably withheld.

Tenant shall have the right to install a generator, at its sole cost and expense, on the Premises in a location that is approved by Landlord. Landlord must receive final approval on the type and location of the generator from the Virginia Center Owners Association prior to any and all installation of such generator.

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## EXHIBIT E

### WORK LETTER FOR TENANT UPFTT

The purpose of this Addendum is to set forth the rights and obligations of Landlord and Tenant with respect to space planning, engineering, drawings, and the construction and installation of the initial Tenant improvements in Tenant’s Demised Premises, hereinafter called Premises. This Addendum contemplates that the performance of this work will proceed in four stages in accordance with the following schedules: (i) preparation of a space plan: 1 week after the date hereof; (ii) final design and engineering and preparation of final plans and working drawings: 2 weeks after the date hereof; (iii) preparation by the contractor of an estimate of the additional cost of initial Tenant improvements: 1 week after the date hereof; (iv) submission and approval of plans by appropriate governmental authorities and construction and installation of the Tenant improvements: by the commencement date. The time frames indicated in the preceding sentence for the four stages of work are the average for a typical Tenant and are provided for information only. No representation, warranty, or guaranty is hereby made by Landlord regarding the actual time frames, which may vary significantly, for any specific Tenant. For purposes of this Addendum, the Tenant improvements are classified into two categories. One category is the Building Standard Allowance that will be provided by Landlord as set forth in Section 2 hereof. The second category is Additional or Non-Standard Work or Materials requested by Tenant over and above the Building Standard Allowances set forth in Section 2.

In consideration of the mutual covenants hereinafter contained, Landlord and Tenant do mutually agree to the following:

1. *Space Planning, Design and Working Drawings.* On Tenant’s behalf, Landlord shall provide and designate architects and engineers who will complete, at Tenant’s expenses, which expense shall be deducted from the Improvement Allowance (hereinafter defined) and subject to the limitations expressed in Paragraph 2 below, building standard construction and mechanical drawings and specifications as required to construct the Premises as follows: Tenant shall be responsible for space planning costs not to exceed \$.45 per square foot of office area only. This \$.45 psf amount covers the cost of the construction documents. Landlord is responsible for the cost of the initial space plan and one (1) revision. Any additional revisions to the space plans or construction documents will be at Tenant’s sole cost and expense.

- a. Complete construction drawings for Tenant’s partition layout, reflecting ceiling grid, telephone and electrical outlets, keying and finish schedule (subject to the limitation expressed in Paragraph 2 below).
- b. Complete building standard mechanical plans where necessary (for installation of air conditioning system and duct work and heating and electrical facilities) for the work to be done by Landlord in the Premises.
- c. All plans and working drawings for the construction and completion of Tenant’s Premises, including the plans and working drawings for the Building Standard Allowance items and for any Additional or Non-Standard Work or Materials, shall be subject to Landlord’s prior written approval. Any changes or modifications Tenant desires to make to such plans or working drawings shall also be subject to Landlord’s prior approval. Landlord agrees that it will not unreasonably withhold its approval of the plans and working drawings for the construction of Tenant’s Premises, or of any changes or modifications thereof; provided, however, the Landlord



shall have sole end absolute discretion to approve or disapprove any improvements that will be visible to the exterior of the Premises, or which may affect the structural integrity of the building. Any approval of such plans and working drawings by Landlord shall not constitute approval of any delays caused by Tenant and shall not be deemed a waiver of any rights or remedies that may arise as a result of such delays.

d. Attendance by architect or engineer at a reasonable number of meetings with Tenant and Landlord's agent to define Tenant requirements is required. Landlord shall provide one complete space plan prepared by Landlord's architect in order to obtain Tenant's approval

e. If Tenant makes any revisions to the space plan after it has been approved by Landlord and Tenant, even though such revision may only involve changes to the Building Standard Allowance items. Tenant shall pay all additional costs and expenses from the improvement allowance incurred as a result of such revisions.

f. If Tenant shall desire any Additional or Non-Standard Work, Tenant shall cause plans and working drawings for such work to be prepared concurrently with the preparation of the plans and working drawings for the Building Standard Allowance items. The plans and working drawings for the Additional or Non-Standard Work will be prepared by Landlord's architect or engineer or by an architect or engineer of Tenant's own selection. A" design fees and costs of preparing the plans and working drawings for the Additional or Non-Standard Work and Materials, prepared by Landlord's architect or engineer, shall be paid by Tenant improvement allowance.

2. *Building Standard Allowance.* In lieu of a Tenant Improvement Allowance (the Building Standard Allowance) the Landlord will abate the first 54,144.00 (\$6.00 x 9,024 of office area) of sched scheduled rent as described in the lease paragraph 4.1.

3. *Signage and Keying.* Door and/or directory signage and suite keying in accordance with building standard shall be provided and installed by the Landlord and deducted torn the Tenant Improvement Allowance.

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#### 4. *Work and Materials at Tenant's Expense.*

a. Landlord agrees that its contractors will perform and provide any Additional or Non-Standard Work and Materials requested by Tenant, provided Landlord approves the plans and working drawings for all such work and materials.

b. Upon Tenant's request and submission by Tenant of the necessary drawings, plans and specifications, and at Tenant's sole cost and expense, Landlord further agrees to do any other work in addition to Building Standard Allowances, (such other work herein called "Additional or Non-Standard Work and Materials"). Prior to commencing and providing any such Additional or Non-Standard Work and Materials, Landlord shall submit to Tenant written estimates of the cost of such Additional or Non-Standard Work and Materials and Tenant shall approve said estimates in writing within five (5) business days upon the receipt thereof. Landlord shall not be authorized to proceed thereon until such estimate is mutually agreed upon and approved in writing and delivered to Landlord.

c. Tenant agrees to pay to Landlord, promptly upon being billed therefor, all costs and expenses incurred in connection with the Additional or Non-Standard Work and Materials requested by Tenant. Such costs and expenses shall include all amounts charged by Landlord's contractor for performing such work, (including the contractor's general conditions overhead and profit). Tenant will be billed for such costs and expenses as follows: (i) fifty percent (50%) of such costs and expenses shall be due and payable when such work is substantially completed as defined in Paragraph 6 hereof; (ii) fifty percent (50%) of such costs and expenses shall be due and payable upon final completion of such work. If unpaid within ten (10) days of invoice the outstanding balance shall accrue at the rate of one percent (1%) per month until paid in full.

#### 5. *Tenant Plan Delivery Date.*

a. Tenant covenants and agrees that although certain plans and drawings may be prepared by Landlord's architect or engineer, Tenant shall be solely responsible for the timely completion of plans and drawings and it is hereby understood time is of the essence.

b. Tenant covenants and agrees to deliver to Landlord final plans and working drawings for the construction and completion of the Building Standard Allowance items and for all Additional or Non-Standard Work and Materials requested by Tenant on or before August 8, 1999) (the "Tenant Plan Delivery Date"). It is vital that the final working drawings be delivered to Landlord by Tenant Plan Delivery Date in order to allow Landlord sufficient time to review such plans and working drawings, to discuss with Tenant any changes therein which Landlord believes to be necessary or desirable, to enable the contractor to prepare an estimate of the additional cost of initial Tenant Improvements, and to substantially complete Tenant's Premises within the time frame provided in the Lease.

#### 6. *Substantial Completion.*

a. The Premises shall be deemed to be substantially complete when the work to be performed by Landlord pursuant to the plans and working drawings approved by Landlord and Tenant has been completed and approved by the appropriate governmental authorities as certified by Landlord and architect, except for items of work and adjustment of equipment and fixtures that can be completed after the Premises are occupied without causing material interference with Tenant's use of the Premises (i.e., "punch list items").

b. Notwithstanding the foregoing, if Landlord shall be delayed in substantially completing the Premises as a result of:

(1) Tenant's failure to furnish to Landlord on or before the Tenant Plan Delivery Date the final plans and working drawings for the construction and completion of the Premises, including all Additional or Non-Standard Work and Materials requested by Tenant; or

(2) Tenant's failure to furnish plans for Additional or Non-Standard Work and/or Tenant's failure to approve Landlord's cost estimates within the time specified by Paragraph 4 hereof; or

(3) Tenant's [ILLEGIBLE] Building Standard Work or the plans therefor or in the drawings, plans; and [ILLEGIBLE] for the Additional or Non-Standard Work and Materials (notwithstanding Landlord's approval of any such changes); or

(4) Tenant's request for changes in or modifications to such plans or working drawings subsequent to the Tenant Plan Delivery Date; or

(5) Inability to obtain Non-Building Standard Materials, finishes or installations requested by Tenant; or

(6) The performance of any work by any person, firm or corporation employed or retained by Tenant; or

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(7) Any other act or omission by Tenant or its agents, representatives, and/or employees;

(8) Delays caused by issuance of permits from appropriate governmental authorities or the approval thereof upon completion;

then, in any such event, for purposes of determining the ~~Rental~~ Commencement Date, the Premises shall be deemed to have been substantially completed on the date that Landlord and architect determine that the Premises would have been substantially completed if such delay or delays had not occurred.

7. *Materials and Workmanship.* Landlord covenants and agrees that all work performed in connection with the construction of the Premises shall be performed in a good and workmanlike manner and in accordance with all applicable laws and regulations and with the final approved plans and working drawings, Landlord agrees to exercise due diligence in completing the construction of the Premises.

8. *Repairs and Corrections.* Landlord agrees to repair and correct any work or materials installed by Landlord or by its contractor in the Premises that prove defective as a result of faulty materials equipment or workmanship and that first appear within one (1) year of the date of occupancy of the Premises. Notwithstanding the foregoing, Landlord shall not be responsible to repair or correct any defective work or materials installed by Tenant or any contractor other than Landlord's contractor, or any work or materials that prove defective as a result of any act or omission of Tenant or any of its employees, agents, invitees, licensees, subtenants, customers clients or guests.

9. *Possession by Tenant.* The taking of possession of the Premises by Tenant shall constitute an acknowledgment by Tenant that the Premises are in good condition and that all work and materials provided by Landlord are satisfactory as of such date of occupancy, except as to any defects or incomplete work that are described in a written notice given by Tenant to Landlord no later than thirty (30) days after Tenant discovers the defect or incomplete work, and except for any equipment that is used seasonally if Tenant takes possession of the Premises during a season when such equipment is not in use.

10. *Access During Construction.* During construction of the Tenant Improvements in the Premises with the approval of the Landlord, Tenant shall be permitted reasonable access to the Premises, as long as such access does not interfere with or delay construction work on the Premises for the purposes of (i) taking measurements, making plans, installing trade fixtures, and doing such other work as may be appropriate or desirable to enable Tenant eventually to assume possession of and operate the Premises; and (ii) to inspect the work of construction to determine that the work done and materials used are in compliance with the Lease.

If the foregoing correctly sets forth our agreement, please acknowledge your approval below.

Agreed and Accepted:

This       day of       , 199   .

By:       /s/ Michael D. Ripson

Landlord       MICHAEL D. RIPSON

Attest:       Assistant Director

Commercial Real Estate/Equities

This 10<sup>th</sup> day of August, 1999.

By:       /s/ Mark R. Moore, VICE PRESIDENT

Tenant

Attest:       /s/ Jennifer B. Smith

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## FIRST LEASE AMENDMENT

This First Lease Amendment is made and entered into this 15th day of October, 1999 by and between Principal Life Insurance Company, an Iowa corporation ("Landlord") and Service Partners, LLC, a Virginia limited liability company ("Tenant").

## WITNESSETH:

**WHEREAS**, Landlord and Tenant entered into a Deed of Lease dated August 10, 1999 (the "Lease") for approximately 11,325 rentable square feet located in a building located at 1029 Technology Park Drive, Glen Allen, VA 23059 (the "Premises"); and

**WHEREAS**, the parties to the Lease have mutually agreed to modify the terms and conditions of the Lease to adjust the square footage of the Premises, the Base Rent, the Tenant's Proportionate Share, Security Deposit, the Building Standard Allowance and have agreed on the terms and conditions of such modifications to the Lease.

**NOW, THEREFORE**, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. **Square Footage.** The description of the square footage of the Premises contained in Section 2.3 of the Lease is hereby changed to read as follows:  
The Premises contains approximately **11,265** rentable square feet which is comprised of **9,041** square feet of office area and **2,224** square feet of warehouse area.
  2. **Commencement Date.** The "Commencement Date" as described in Section 3.1, shall be **November 1, 1999** and the "Expiration Date" shall be **December 31, 2002**.
  3. **Base Rent.** The "Base Rent," as described in Section 4.1 of the Lease, shall be **\$305,844.75**, for a Minimum annual Base Rent of **\$101,948.25** before adjustments.
  4. **Monthly Rent.** "Monthly Rent," as described in Section 4.2 of the Lease, shall be **\$8,495.69**.
  5. **Tenant's Proportionate Share.** In accordance with Section 4.6 of the Lease, "Tenant's Proportionate Share" on the date of the Lease shall be **seven and one-half percent (7.5%)**.
  6. **Security Deposit.** The "Security Deposit," as described in Section 4.10 of the Lease, shall be **\$8,495.69**.
- 
7. **Rent Abatement.** The amount, as described in Section 2 of Exhibit E to the Lease, shall be the first **\$54,246.00** (\$6.00 x **9,041** of office area).
  8. **Other Terms and Provisions.**
    - a. Except as modified by this First Lease Amendment, all other terms, covenants and conditions of the Lease not specifically amended hereby shall remain in full force and effect.
    - b. The Lease, as amended by this First Lease Amendment, contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. The Lease may be further amended only in writing signed by both Landlord and Tenant.
    - c. In the event of an irreconcilable conflict between the terms of the Lease and the terms of this First Lease Amendment, the terms of this First Lease Amendment shall be controlling.
    - d. If any provision of this First Lease Amendment is held to be invalid or unenforceable, the same shall not affect the validity or enforceability of the other provisions of this First Lease Amendment which shall continue in full force and effect, as if the invalid or unenforceable provision had been deleted.
    - e. This First Lease Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the parties have caused this First Lease Amendment to be signed by their duly authorized representatives and delivered as their act and deed, intending to be legally bound by its terms and provisions.

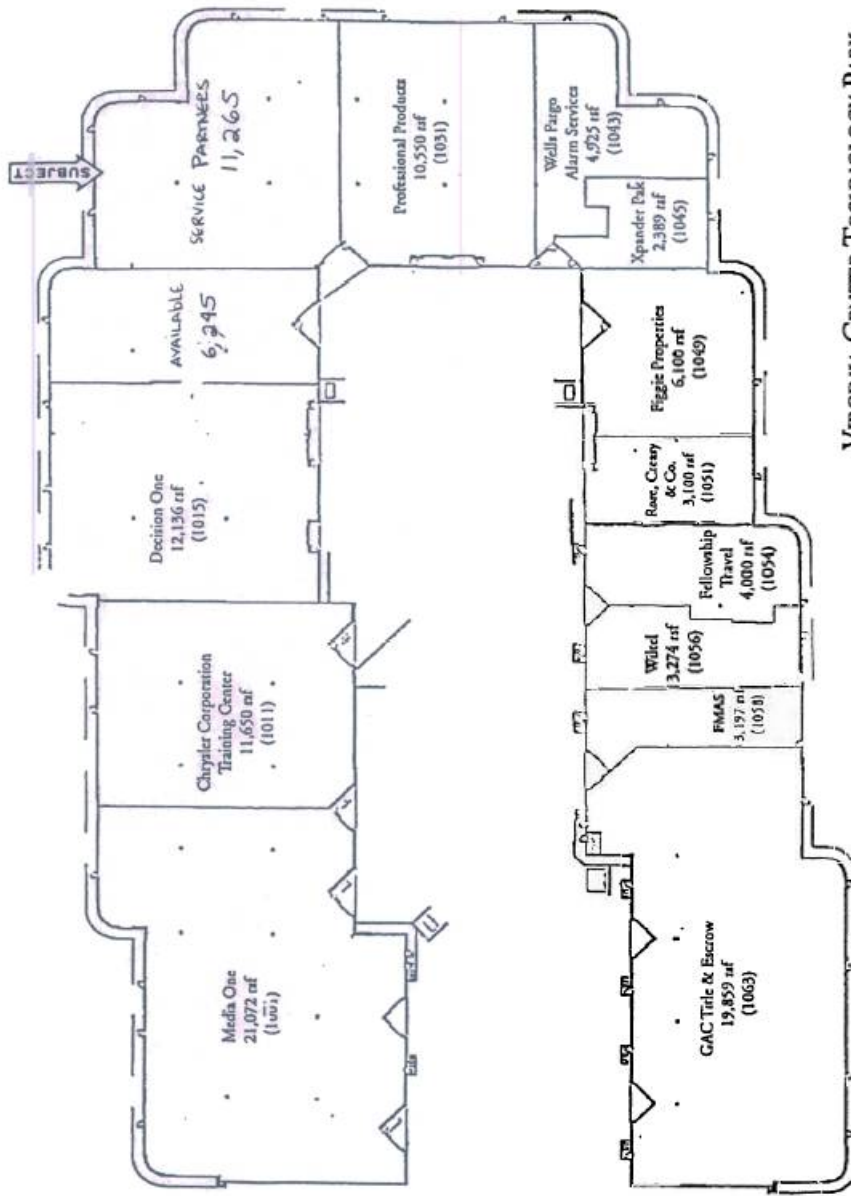
**LANDLORD:**  
**PRINCIPAL LIFE INSURANCE COMPANY**  
 an Iowa corporation

By: **Principal Capital Management, LLC**  
 a Delaware limited liability company,  
 Its authorized signatory

By: /s/ Michael D. Ripson  
 Michael D. Ripson  
 Director  
 Its: C.R.E. Equities

**TENANT:**  
**Service Partners, LLC**  
 a Virginia limited liability company

By: /s/ [ILLEGIBLE]  
 Its: EVP



VIRGINIA CENTER TECHNOLOGY PARK  
1000 Technology Park Drive  
Glen Allen, Virginia 23060

## SECOND LEASE AMENDMENT

This Second Lease Amendment is made and entered into this 8<sup>th</sup> day of March 2000 by and between Principal Life Insurance Company, an Iowa corporation ("Landlord") and Service Partners, LLC, a Virginia limited liability company ("Tenant").

## WITNESSETH:

**WHEREAS**, Landlord and Tenant entered into a Deed of Lease dated August 10, 1999, as amended by First Lease Amendment dated October 15, 1999 (the "Lease") for approximately 11,265 rentable square feet located in a building located at 1029 Technology Park Drive, Glen Allen, VA 23059 (the "Premises"); and

**WHEREAS**, the parties to the Lease have mutually agreed to modify the terms and conditions of the Lease to expand the square footage of the Premises and have agreed on the terms and conditions of such modifications to the Lease.

**NOW, THEREFORE**, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

Premises. Effective April 1, 2000, Tenant shall lease an additional 2,215 square feet, as outlined on Exhibit A (the "Expansion Premises") for a total of 13,480 square feet (the "Total Premises"). The Total Premises shall be comprised of 11,256 square feet of office area and 2,224 square feet of warehouse area.

2. Term. The Term of the Expansion Premises shall be for a period of thirty-three (33) months commencing April 1, 2000 and expiring coterminous with the existing Premises on December 31, 2002.
3. Base Rent: The Base Rent shall be adjusted such that Tenant shall pay to Landlord Base Rent in amounts according to the following schedule:

Dates	Per SF	SF	Monthly rent	Annual Rent
4/1/00 – 5/31/00	\$ 9.05	11,265	\$ 8,495.69	n/a
6/1/00 - 10/31/00	\$ 9.05	13,480	\$ 10,166.17	\$ 121,994.00
11/1/00-10/31/01	\$ 9.32	13,480	\$ 10,471.15	\$ 125,653.82
11/1/01 - 10/31/02	\$ 9.60	13,480	\$ 10,785.29	\$ 129,423.43
11/1/02 - 12/31/02	\$ 9.89	13,480	\$ 11,108.84	n/a

- In lieu of an Improvement Allowance, the Landlord shall provide a credit of \$11,451.55 (\$5.17 x 2,215 sf of office area) to be applied towards the scheduled rent stated above.
  - The Base Rent for the Expansion Premises only shall be abated for the first two months, April and May (The "Abatement Period"). All other provisions of the Lease shall be in effect during the Abatement Period.
4. Tenant's Proportionate Share. In accordance with Section 4.6 of the Lease, "Tenant's Proportionate Share" shall be adjusted to nine percent (9.0%).
  5. Other Terms and Provisions.

- a. Except as modified by this Second Lease Amendment, all other terms, covenants and conditions of the Lease not specifically amended hereby shall remain in full force and effect.
- b. The Lease, as amended by this Second Lease Amendment, contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. The Lease may be further amended only in writing signed by both Landlord and Tenant.
- c. In the event of an irreconcilable conflict between the terms of the Lease and the terms of this Second Lease Amendment, the terms of this Second Lease Amendment shall be controlling.
- d. If any provision of this Second Lease Amendment is held to be invalid or unenforceable, the same shall not affect the validity or enforceability of the other provisions of this Second Lease Amendment which shall continue in full force and effect, as if the invalid or unenforceable provision had been deleted.
- e. This Second Lease Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the parties have caused this Second Lease Amendment to be signed by their duly authorized representatives and delivered as their act and deed, intending to be legally bound by its terms and provisions.

**LANDLORD:**  
**PRINCIPAL LIFE INSURANCE COMPANY**  
 an Iowa corporation

By: Principal Capital Management, LLC  
 a Delaware limited liability company,  
 Its authorized signatory

**TENANT:**  
**Service Partners, LLC**  
 a Virginia limited liability company

By: /s/ [ILLEGIBLE]  
 Its: EVP

By: \_\_\_\_\_  
 Its: \_\_\_\_\_

### THIRD LEASE AMENDMENT

This Third Lease Amendment is made and entered into this 1st day of August 2000 by and between Principal Life Insurance Company, an Iowa corporation ("Landlord") and Service Partners, LLC, a Virginia limited liability company ("Tenant").

#### WITNESSETH:

**WHEREAS**, Landlord and Tenant entered into a Deed of Lease dated August 10, 1999, as amended by First Lease Amendment dated October 15, 1999 and Second Lease Amendment dated March 8, 2000 (the "Lease") for approximately 13,480 rentable square feet (the "First Expansion Premises") located in a building located at 1029 Technology Park Drive, Glen Allen, VA 23059 (the "Premises"); and

**WHEREAS**, the parties to the Lease have mutually agreed to modify the terms and conditions of the Lease to expand the square footage of the Premises and to extend the Lease Term have agreed on the terms and conditions of such modifications to the Lease.

**NOW, THEREFORE**, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. Premises. Effective September 1, 2000, Tenant shall lease an additional 4,030 square feet (2,463 sf office and 1,567 sf warehouse), as outlined on Exhibit A (the "Second Expansion Premises") for a total of 17,510 square feet (the "Total Premises"). The Total Premises shall be comprised of 13,719 square feet of office area and 3,791 square feet of warehouse area.
2. Expansion Term. The Term of the Second Expansion Premises shall be for a period of forty-two (42) months commencing September 1, 2000 and expiring on February 28, 2004.
3. Second Expansion Premises Base Rent: Effective as of September 1, 2000, the minimum rent for the Second Expansion Premises shall be Two thousand six hundred sixty-six and 52/100 (\$2,666.52) per month.
4. Second Expansion Premises Rent Escalation: The Base Rent for the Second Expansion Premises shall increase three percent (3%) per annum on September 1, 2001 and on September 1 annually thereafter in accordance with the following schedule:

Dates	Per SF	SF	Monthly rent	Annual Rent
9/1/00 – 8/31/01	\$ 7.94	4,030	\$ 2,666.52	\$ 31,998.20
9/1/01 - 8/31/02	\$ 8.18	4,030	\$ 2,746.51	\$ 32,958.15
9/1/02 - 8/31/03	\$ 8.42	4,030	\$ 2,828.91	\$ 33,946.89
9/1/03 - 2/28/04	\$ 8.68	4,030	\$ 2,913.77	n/a

In lieu of an Improvement Allowance, the Landlord shall provide a credit of \$18,472.50 (\$7.50 x 2,463 sf of office area) to be applied towards the scheduled rent stated above.

5. Term. The term for the Lease shall be extended for fourteen (14) months commencing on January 1, 2003 and expiring on February 28, 2004 (the "Second Renewal Term").
6. Base Rent: The Base Rent for the First Expansion Premises shall be in accordance with the following schedule:

Dates	Per SF	SF	Monthly rent	Annual Rent
1/1/03 - 10/31/03	\$ 9.89	13,480	\$ 11,108.84	n/a
11/1/03 - 2/28/04	\$ 10.19	13,480	\$ 11,442.11	n/a

In lieu of an Improvement Allowance, the Landlord shall provide a credit of \$13,480.00 (\$1.00 x 13,480 sf) to be applied towards the scheduled rent stated above.

7. Tenant's Proportionate Share. In accordance with Section 4.6 of the Lease, "Tenant's Proportionate Share" shall be adjusted to fifteen percent (15.0%).
8. Other Terms and Provisions.
  - a. Except as modified by this Third Lease Amendment, all other terms, covenants and conditions of the Lease not specifically amended hereby shall remain in full force and effect.
  - b. The Lease, as amended by this Third Lease Amendment, contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. The Lease may be further amended only in writing signed by both Landlord and Tenant.
  - c. In the event of an irreconcilable conflict between the terms of the Lease and the terms of this Third Lease Amendment, the terms of this Third Lease Amendment shall be controlling.
  - d. If any provision of this Third Lease Amendment is held to be invalid or unenforceable, the same shall not affect the validity or enforceability of the other provisions of this Third Lease Amendment which shall continue in full force and effect, as if the invalid or unenforceable provision had been deleted.
  - e. This Third Lease Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the parties have caused this Third Lease Amendment to be signed by their duly authorized representatives and delivered as their act and deed, intending to be legally bound by its terms and provisions.

**LANDLORD:**

**TENANT:**

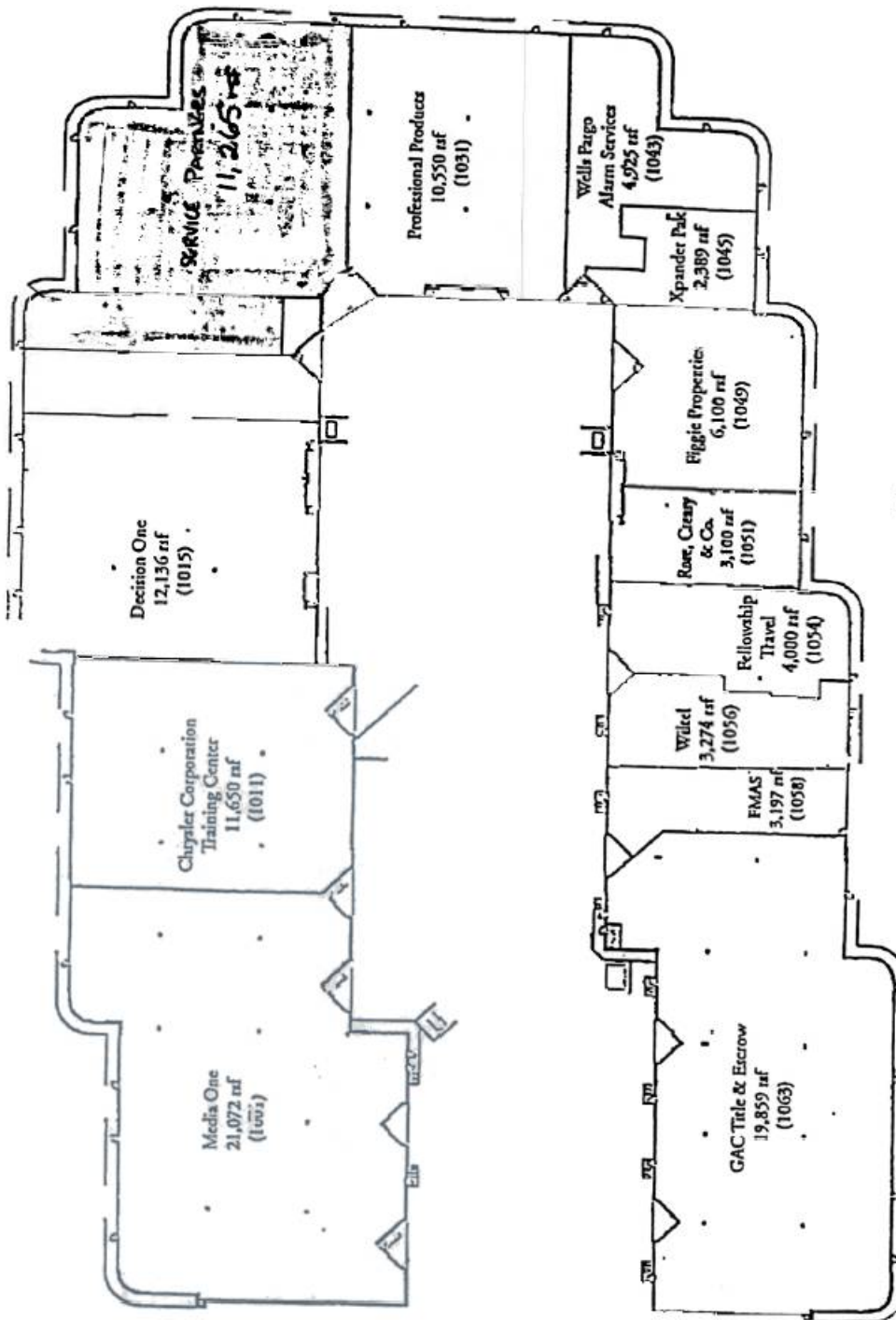
PRINCIPAL LIFE INSURANCE COMPANY  
an Iowa corporation

By: Principal Capital Management, LLC  
a Delaware limited liability company,  
Its authorized signatory

BY: /s/ Mark Scholz  
MARK SCHOLZ  
Its: DIRECTOR

Service Partners, LLC  
a Virginia limited liability company

By: /s/ [ILLEGIBLE]  
Its: EVP



VIRGINIA CENTER TECHNOLOGY PARK  
1000 Technology Park Drive  
Glen Allen, Virginia 23060

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0261581908

FROM-ADVANTIS RICHMOND

01-00000000-00000000

FROM : Hummel Associates, Inc.

FAX NO. : 884-643-0979

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## FOURTH LEASE AMENDMENT

This Fourth Lease Amendment is made and entered into this 2<sup>nd</sup> day of June 2003 by and between Principal Life Insurance Company, an Iowa corporation ("Landlord") and Service Partners, LLC, a Virginia limited liability company ("Tenant").

## WITNESSETH:

**WHEREAS**, Landlord and Tenant entered into a Deed of Lease dated August 10, 1999, as amended by First Lease Amendment dated October 15, 1999, Second Lease Amendment dated March 8, 2000 and Third Lease Amendment dated August 1, 2000 (the "Lease") for approximately 17,510 rentable square feet (the "Premises") located in a building located at 1029 Technology Park Drive, Glen Allen, VA 23059 (the "Premises"); and

**WHEREAS**, the term of the Lease will expire on February 28, 2004 (the "Original Expiration Date"); and

**WHEREAS**, the parties to the Lease have mutually agreed to extend the Term of the Lease and have agreed on the terms and conditions of such an extended Lease Term.

**NOW, THEREFORE**, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

- Term. Paragraph 3.1 of the Lease shall be and hereby is amended and modified such that the Term of the Lease shall be extended for a period of forty-eight (48) months after the Original Expiration Date, and the Lease shall terminate at 11:59 p.m. on February 29, 2008 (the "Third Renewal Term"). Unless specifically set forth otherwise herein, the terms of this Extension shall be effective upon March 1, 2004 (the "Effective Date").
- Rent. Paragraph 4.1 of the Lease shall be and hereby is amended and modified such that Tenant shall pay to Landlord Base Rent according to the following schedule:

Dates	Per SF	Monthly rent
03/01/04 - 02/28/05	\$ 10.00	\$ 14,591.67
03/01/05 - 02/28/06	\$ 10.30	\$ 15,029.42
03/01/06 - 02/28/07	\$ 10.61	\$ 15,480.30
03/01/07 - 02/29/08	\$ 10.93	\$ 15,944.71

- Security Deposit. Paragraph 4.10 of the Lease shall be and hereby is amended and modified such that Tenant shall deposit with Landlord the sum of \$6,095.98 for a total Security Deposit of \$14,591.67.
- Option to Renew. Tenant shall have the option to renew the Lease and the Term of the Lease for a period of sixty (60) additional months immediately following the Lease Term (the "Renewal Term") so long as: (1) Tenant is in occupancy of the Premises at the end of the Lease Term; (2) Tenant has performed all the terms, covenants and conditions on Tenant's part to be performed under the Lease; and (3) Tenant is not in default under the Lease. Tenant shall exercise its option to renew by: (a) giving advance written notice to Landlord of its intent to renew the Lease and Lease Term no later than September 1, 2007, and (b) entering into a fully-executed lease amendment and renewal agreement no later than December 1, 2007. Tenant's failure to give

Landlord timely written notice of its intent to renew the Lease, or failure to timely enter into a lease amendment and renewal agreement, shall render Tenant's option to renew null and void, and Tenant shall have no further right to renew and extend the Lease and Lease Term. All of the terms and conditions of the Lease shall continue in full force and effect during the Renewal Term, except that no additional Allowance shall be allowed for Tenant Improvements and the Rent during the Renewal Term shall be adjusted to, in Landlord's sole and exclusive discretion, ninety-five percent (95%) of the then current market rates; provided, however, Landlord shall inform Tenant of the proposed Rent on or before November 1, 2007 and such Rent shall be included in the lease amendment and renewal agreement.

- Improvements. Any improvements to the Premises required by virtue of this Fourth Lease Amendment are set forth in Exhibit "A," which is attached hereto and made a part hereof by reference ("Improvements"). The total cost for the Improvements including, but not limited to space planning, construction drawings, the actual construction and construction management is to be paid by Landlord up to a maximum amount of \$179,127.30 ("Allowance"). In the event the total cost of the Improvements exceeds the Allowance ("Improvement Overage"), Tenant shall pay to Landlord the Improvement Overage immediately upon demand by Landlord.
- HVAC. Effective March 1, 2004 and throughout the Third Renewal Term, Tenant shall be responsible for the cost of maintaining, repairing and replacing all elements of the newly installed 7½-ton and 5-ton heating, ventilating and air conditioning systems servicing the improved Premises.
- Other Terms and Provisions.
  - Except as modified by this Fourth Lease Amendment, all other terms, covenants and conditions of the Lease not specifically amended hereby shall remain in full force and effect.
  - The Lease, as amended by this Fourth Lease Amendment, contains the entire agreement of the parties hereto and no representations, inducements, promises or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. The Lease may be further amended only in writing signed by both Landlord and Tenant.
  - In the event of an irreconcilable conflict between the terms of the Lease and the terms of this Fourth Lease Amendment, the terms of this Fourth Lease Amendment shall be controlling.
  - If any provision of this Fourth Lease Amendment is held to be invalid or unenforceable, the same shall not affect the validity or enforceability of the other provisions of this Fourth Lease Amendment, which shall continue in full force and effect, as if the invalid or unenforceable provision had been deleted.
  - This Fourth Lease Amendment may be executed in several counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

[Signatures are contained on the following page]

IN WITNESS WHEREOF, the parties have caused this Fourth Lease Amendment to be signed by their duly authorized representatives and delivered as their act and deed, intending to be legally bound by its terms and provisions.

**LANDLORD:**  
**PRINCIPAL LIFE INSURANCE COMPANY,**  
**an Iowa corporation, on behalf of the**  
**Real Estate Separate Account**

**TENANT:**  
**Service Partners, LLC,**  
**a Virginia limited liability company**

By: **PRINCIPAL CAPITAL REAL ESTATE**  
**INVESTORS, LLC, a Delaware limited**  
**liability company, its authorized signatory**

By: Robert B. Rosowski  
**ROBERT B. ROSOWSKI**  
Its: VICE PRESIDENT AND TREASURER

By: See Attached  
Its: \_\_\_\_\_

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PRINCIPAL LIFE INSURANCE COMPANY, an Iowa  
corporation, on behalf of the Real Estate Separate  
Account

By: **PRINCIPAL REAL ESTATE INVESTORS,**  
**LLC, a Delaware limited liability company, its**  
**authorized signatory**

By /s/ Willis K. Bramwell JUN 26 2003  
Willis K. Bramwell  
Assistant Managing Director  
Asset Management

By \_\_\_\_\_

#### EXHIBIT A

#### IMPROVEMENTS

In order to induce Tenant to enter into the Fourth Lease Amendment and in consideration of the mutual covenants hereinafter contained, Landlord and Tenant agree as follows:

1. Tenant Improvement Plans. Landlord and Tenant have approved and initialed plans and specifications for the Improvements to be made to the Premises pursuant to Section 5 of the Fourth Lease Amendment (the "Tenant Improvement Plans").
2. Tenant Improvement Allowance.
  - (a) Reference herein to "Tenant Improvements" shall include any or all of the following work to be done in the Premises pursuant to the Tenant Improvement Plans:
    - (i) Installation within the Premises of all partitioning, doors, floor coverings, ceilings, painting, millwork and similar items;
    - (ii) All electrical wiring, lighting fixtures, outlets and switches, and other electrical work to be installed within the Premises, and additional panels or transformers to accommodate Tenant's requirements;
    - (iii) The furnishing and installation of all duct work, terminal boxes, diffusers and accessories required for the completion of the heating, ventilation and air conditioning systems within the Premises;
    - (iv) All fire and life safety control systems, such as fire walls, sprinklers, halon, fire alarms, including piping, wiring and accessories, installed within the Premises;
    - (v) All plumbing, fixtures, pipes and accessories to be installed within the Premises;
    - (vi) Testing and inspection costs;  
Contractor's fees, including but not limited to any fees based on general conditions; and
    - (viii) Design fees and construction management by Landlord's representative for the supervision of the tenant improvement installation.In no event, however, shall the Tenant Improvements include trade fixtures, furniture or equipment of the Tenant.
  - (b) Landlord hereby grants to Tenant a "Tenant Improvement Allowance" of \$179,127.30. Landlord's maximum contribution towards the Tenant Improvements shall be limited to the Tenant Improvement Allowance. The Tenant Improvement Allowance shall be used for:
    - (i) Payment of the cost of preparing the space plan and the Tenant Improvement Plans, including mechanical, electrical, plumbing and structural drawings and of all other aspects necessary to complete the Tenant Improvement Plans.

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- (ii) Payment of fees of consultants, designers, space planners and architects relating to design and construction of the Tenant Improvements.
  - (iii) The payment of plan check, permit and license fees relating to construction of the Tenant Improvements.
  - (iv) Construction of the Tenant Improvements; provided, however, that the Tenant Improvement Allowance will not be used for Non-Standard Improvements, if any, unless Landlord, in its sole discretion, agrees in writing to payment of some or all of the Non-Standard Improvements out of the Tenant Improvement Allowance.
  - (v) All other costs expended by Landlord in the construction of the Tenant Improvements, including those costs incurred by Landlord for construction of elements of the Tenant Improvements in the Premises.
- (c) The costs of each item referenced in Paragraph 2(b) above shall be charged against the Tenant Improvement Allowance. In the event that the cost of installing the Tenant Improvements, as established by Landlord's final pricing schedule, shall exceed the Tenant Improvement Allowance, or if any of the Tenant Improvements are not to be paid out the Tenant Allowance as provided in Paragraph 2(b) above, the excess shall be paid by Tenant to Landlord prior to the commencement of construction of the Tenant Improvements.
- (d) In the event that, after the Tenant Improvement Plans have been prepared and a price therefor established by Landlord, Tenant shall require any changes or substitutions to the Tenant Improvement Plans, any additional costs related thereto shall be paid by Tenant to Landlord prior to the commencement of construction of the Tenant Improvements. Landlord shall have the right to decline Tenant's request for a change to the Tenant Improvement Plans if such changes are inconsistent with the provisions of Paragraph 3 and 4 below, or if the change would, in Landlord's opinion, unreasonably delay construction of the Tenant Improvements.
- (e) Any unused portion of the Tenant Improvement Allowance upon completion of the Tenant Improvements shall be credited against any obligation of Tenant under the Fourth Lease Amendment.
3. Tenant Improvement Plans. The Tenant Improvement Plans must be consistent with Landlord's standard specifications for tenant improvements for the project (the "Building Standards"), as the same may be changed from time to time by Landlord.
4. Non-Standard Tenant Improvements. Landlord shall permit Tenant to deviate from the Building Standards for the Tenant Improvements (the "Non-Standard Improvements"), provided that (a) the deviations shall not be of a lesser quality than the Building Standards; (b) the total lighting for the Premises shall not exceed 1.65 watts per Rentable Square Foot of the Premises; (c) the deviations conform to applicable governmental regulations and necessary governmental permits and approvals have been secured; (d) the deviations do not require building service beyond the levels normally provided to other tenants in the Project; and (e) Landlord has determined in its sole discretion that the deviations are of a nature and quality that are consistent with the overall objectives of Landlord for the Project.

Any Non-Standard Improvements made shall remain on and be surrendered with the Premises upon expiration of the Term.

5. Final Pricing and Drawing Schedule. In accordance with the Work Schedule, the Tenant Improvement Plans shall be submitted to the appropriate governmental body by for plan checking and the issuance of a building permit. Landlord, with Tenant's cooperation, shall cause to be made to the Tenant Improvement Plans any changes necessary to obtain the building permit. Concurrent with the plan checking, Landlord shall have prepared a final pricing for Tenant's approval, in accordance with the Work Schedule, taking into account any modifications which may be required to reflect changes in the Tenant Improvements Plans required by the City or County in which the Premises are located. After final approval of the Tenant Improvement Plans, no further changes may be made thereto without the prior written approval from both Landlord and Tenant, and then only after agreement by Tenant to pay any excess costs (beyond the Tenant Improvement Allowance) resulting from the design and/or construction of such changes. Tenant hereby acknowledges that any such changes shall be subject to the terms of Paragraph 7 below.
6. Construction of Tenant Improvements. Landlord shall cause its contractor to begin installation of the Tenant Improvements in accordance with the Tenant Improvement Plans. Landlord shall supervise the completion of such work and shall use reasonable commercial efforts to secure substantial completion of the work by the scheduled Commencement Date. The cost of such work shall be paid as provided in Paragraph 2 above. Landlord shall not be liable for any damages, whether direct or consequential, as a result of delays in construction beyond Landlord's reasonable control, including, but not limited to, war, civil unrest, strike, labor troubles, unusually inclement weather, governmental delays, inability to secure governmental approvals or permits, governmental restrictions, availability of materials or labor, acts of God, or delays by Tenant (or its architect or anyone performing services on behalf of Tenant).
7. Completion and Rental Commencement Date. The commencement of the Term of the Fourth Lease Amendment and Tenant's obligation for the payment of rent under the Lease shall commence as of the later of the date of substantial completion of the Tenant Improvements and the date referred to in Section 3 of the Fourth Lease Amendment provided, however, that if there shall be a delay in substantial completion of the Tenant Improvements as a result of:
- (a) Tenant's failure to approve any items or perform any other obligation hereunder;
  - (b) Tenant's request for materials, finishes or installations other than those readily available;
  - (c) Tenant's changes in the Tenant Improvement Plans after the previous approval of the Tenant Improvement Plans by Tenant; or
  - (d) Tenant's request to deviate from the Building Standards for the Tenant Improvements;

then the commencement of the Term of the Fourth Lease Amendment and the rent commencement date shall be accelerated by the number of days of such delay but not earlier than March 1, 2004. The Tenant Improvements shall be deemed substantially complete notwithstanding the fact that minor details of construction, mechanical adjustments or decorations which do not materially interfere with Tenant's use and enjoyment of the Premises remain to be performed (items normally referred to as "Punch List" items).

8. Certificate of Occupancy. Upon completion of the Tenant Improvements and the issuance by the City or other relevant government agency of a Certificate of Occupancy or other comparable certificate authorizing occupancy of the Premises, Landlord will promptly provide Tenant with a copy of the Certificate of Occupancy or other such certificate.
9. Force Majeure. Landlord shall have no liability whatsoever to Tenant on account of the inability or delay of Landlord in fulfilling any of Landlord's obligations under this Work Letter by reason of strike, other labor trouble, governmental controls in connection with a national or other public emergency, or shortages of fuel, supplies or labor resulting therefrom or any other cause, whether similar or dissimilar to the above, beyond Landlord's reasonable control. If this Work Letter specifies a time period for performance of an obligation of Landlord, that time period shall be extended by the period of any delay in Landlord's performance caused by any of the

events of force majeure described above.

## FIFTH AMENDMENT TO LEASE

This **Fifth Amendment to Lease** ("Amendment") is made and entered into this 15<sup>th</sup> day of February, 2008, by and between **Virginia FP Virginia Center, LLC, a/k/a Virginia Center, LLC**, a Virginia limited liability company, and successor-in-interest to Principal Life Insurance Company ("Landlord"), and **Services Partners, LLC**, a Virginia limited liability company ("Tenant").

## WITNESSETH:

**WHEREAS**, Landlord, through its predecessor-in-interest, and Tenant are parties to a Deed of Lease dated August 10, 1999, as amended by the First Lease Amendment, dated October 15, 1999, the Second Lease Amendment, dated March 8, 2000, the Third Lease Amendment, dated August 1, 2000, and the Fourth Lease Amendment, dated June 2, 2003 (collectively the "Lease"), whereby Tenant leases from Landlord certain premises containing approximately seventeen thousand five hundred ten (17,510) rentable square feet (the "Premises"), located at 1029 Technology Park Drive, Glen Allen, Virginia 23059 (the "Building") for a Term which expires on February 29, 2008 (the "Current Term"); and

**WHEREAS**, Landlord and Tenant wish to amend the Lease by extending the Term by an additional five (5) years and to otherwise modify the Lease.

**NOW THEREFORE**, in consideration of the mutual covenants herein made, Landlord and Tenant hereby enter into this Amendment and agree as follows:

1. **RECITALS.** The foregoing recitals are incorporated herein by this reference.
2. **CAPITALIZED TERMS.** Unless otherwise defined herein, all capitalized terms shall have the same meanings as they have been assigned in the Lease.
3. **LANDLORD.** Landlord is the Landlord (as such term is defined in the Lease) for all purposes under the Lease.
4. **TERM.** Notwithstanding any provision of the Lease to the contrary, the Term shall be extended by an additional five (5) years (the "Extension Term") following the expiration of the Current Term. The Extension Term shall commence on March 1, 2008 (the "Extension Term Commencement Date") and shall expire on February 28, 2013 (the "Extension Term Expiration Date"). Tenant shall have no right to extend the Term of the Lease beyond February 28, 2013, except as specifically provided for in Section 8 herein.
5. **PREMISES.** Tenant acknowledges that Tenant is currently in possession of the Premises and Tenant agrees to accept the Premises in its "as is" condition for the duration of the Extension Term, except as set forth herein and subject to the terms and conditions

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of the Lease, including but not limited to the parties' respective repair, maintenance and replacement obligations under the Lease.

6. **RENT.** For the remainder of the Current Term, Tenant shall continue to pay Base Rent in the amounts and upon the terms and conditions set forth in the Lease. During the Extension Term, Tenant shall pay Base Rent in the amounts set forth in the following schedule:

Time Period		Per Square Foot Rate		Annual Base Rent		Monthly Base Rent
3/1/08 — 2/28/09	\$	10.45	\$	182,979.50	\$	15,248.29
3/1/09 — 2/28/10	\$	10.76	\$	188,407.60	\$	15,700.63
3/1/10 — 2/28/11	\$	11.08	\$	194,010.80	\$	16,167.57
3/1/11 — 2/29/12	\$	11.41	\$	199,789.10	\$	16,649.09
3/1/12 — 2/28/13	\$	11.75	\$	205,742.50	\$	17,145.21

7. **ADDITIONAL RENT.** For the remainder of the Current Term and throughout the Extension Term, Tenant shall continue to pay its Proportionate Share of Operating Expenses, Taxes and Assessments, Casualty Insurance obtained by Landlord, and Utility Charges, to the extent such Utility Charges pertain to the Common Facilities or which are not separately metered, pursuant to the Lease, as well as all other Additional Rent specified in the Lease.
8. **RENEWAL OPTION.** (a) Tenant has the conditional option to extend the Term of the Lease (the "Renewal Option") for an additional term (the "Option Term") of five (5) years beyond the Extension Term at the Base Rent set forth in paragraph (b) below and upon the same terms and conditions set forth in the Lease as amended herein (except that there will be no further privilege of extension), provided that the following conditions are met:
  - (i) Tenant notifies Landlord of its election to exercise the Renewal Option granted hereby on or before September 1, 2012;
  - (ii) at the time of the exercise of such Renewal Option and for the remainder of the Extension Term thereafter, there is no existing default by Tenant which is not remedied within the applicable cure periods set forth in the Lease;
  - (iii) that the Lease has not terminated prior to the commencement of the Option Term; and
  - (iv) at the time of the exercise of such Renewal Option and for the remainder of the Extension Term thereafter, the original named Tenant (subject to and except as provided in Section 14 below) is in possession of and occupying the entire Premises [it being the intent of the parties that this Renewal Option is personal to the original named Tenant hereunder (i.e., it does not inure to the benefit of any subsequent Tenant,

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subtenant or assignee of the Lease except as provided in Section 14 below) and if such original named Tenant (or an Affiliate of Tenant pursuant to Section 14 below) is no longer in possession of and occupying the entire Premises, then this Renewal Option is void].

- (b) During the first year of the Option Term, Tenant shall pay Landlord Base Rent equal to ninety-five percent (95%) of the then current market rate, as determined by Landlord in its sole and absolute discretion. By October 1, 2012, Landlord will provide Tenant with notice of the proposed Base Rent. Tenant shall have ten (10) business days to accept or reject the proposed Base Rent. If the Tenant rejects the proposed Base Rent, the Lease shall terminate on February 28, 2013. If the Tenant accepts the Landlord's proposed Base Rent, Landlord shall deliver to Tenant a draft of the amendment to the Lease referenced in paragraph (c) below, which amendment shall reflect the exercise of this Renewal Option and include the amount of the proposed Base Rent. During the Option Term, Base Rent shall escalate three percent (3%) per year, beginning

(c) Prior to the commencement of the Option Term, Landlord and Tenant hereby agree to execute a commercially reasonable amendment to the Lease memorializing said extension of the Term. If Tenant fails to timely notify Landlord of its desire to exercise the Renewal Option granted hereby, then Tenant shall be deemed to have conclusively waived its Renewal Option.

9. **IMPROVEMENTS.** (a) Tenant is already occupying the Premises and accepts the same in its "as-is" condition for the Extension Term, except as expressly provided herein and subject to the terms and conditions of the Lease, including but not limited to the parties' maintenance, repair and replacement obligations under the Lease. Landlord will, at its sole cost and expense (except as set forth below and without regard to estimated costs set forth on Exhibit "C" or "D"), which costs and expenses shall include all costs for architectural and engineering planning and documents, complete construction of the Premises in accordance with Space Plan 1 (showing new construction), Space Plan 2 (showing demolition work), the Scope of Work, Joyner's Mechanical HVAC Equipment Survey, and Fiberplus Quote for Richmond Location Access Control, attached hereto as Exhibits "A," "A-1," "B," "C" and "D" respectively and incorporated herein by this reference (collectively, the "Improvements"). As set forth in the Scope of Work, Landlord shall, at its sole cost and expense (except as set forth below and without regard to estimated costs set forth on Exhibit "C" or "D"), replace the HVAC units identified as Unit Numbers 31, 32, and 35 with similarly sized comparable units and perform all work associated with the installation of data, telephone and security systems serving the Premises. Notwithstanding any provision of this Amendment to the contrary, if Tenant requests any changes to the Space Plans, the Scope of Work, the approved drawings and specifications or any additional work (the "Tenant Changes"), Tenant must present Landlord with revised drawings and specifications. As a condition of its approval, Landlord shall require that Tenant pay for the cost of the Tenant Changes. If Landlord approves the Tenant Changes, Landlord will incorporate such changes in the Improvements. The cost of the Tenant Changes shall be deemed additional rent and shall

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be paid by Tenant to Landlord within ten (10) days following receipt or refusal of an invoice from Landlord regarding the same.

(b) Landlord's obligations with respect to improvements and alterations of the Premises shall be limited to the Improvements. Otherwise, Landlord will provide the Premises in its current "as is" condition, except as expressly provided herein and subject to the terms and conditions of the Lease, including but not limited to the parties' respective maintenance, repair and replacement obligations under the Lease. The Improvements will be constructed using Building standard materials consistent with the materials used in comparable buildings in the Glen Allen, Virginia submarket and shall comply with the Americans with Disabilities Act, as amended, and the regulations issued pursuant thereto.

(c) The parties acknowledge that Landlord's ability to complete the Improvements is dependant upon Landlord obtaining access to the Premises, which access is subject to the terms of the Lease. Tenant will be responsible for granting Landlord access to the Premises for the purpose of completing the Improvements and will permit Landlord unfettered access to the Premises in order to allow Landlord to complete the Improvements therein. Within a reasonable time period following the execution of this Amendment, Landlord and Tenant shall establish a mutually-acceptable construction schedule for the completion of the Improvements (Landlord and Tenant each agreeing to negotiate in good faith to arrive at such mutually-agreeable construction schedule). Landlord agrees to promptly commence and thereafter diligently pursue completion of construction of the Improvements upon approval of the construction schedule, receipt of permits and approval of the plans. During the construction of the Improvements, Tenant shall not interfere with Landlord or hinder Landlord in any way in its efforts to complete the Improvements. In addition, Tenant shall timely remove all property from the portion of the Premises where work is being performed in order to facilitate Landlord's ability to complete construction of the Improvements. The parties acknowledge that the completion of the Improvements may interfere with the Tenant's use of the Premises, and it is hereby expressly agreed that such interference shall not be deemed a constructive eviction of Tenant, nor shall it work an abatement of Base Rent or any other amounts due under the Lease. Landlord shall use commercially reasonable efforts to minimize interference with Tenant's business operations during the construction of the Improvements, which shall not obligate Landlord to construct the Improvements during non-business hours or on weekends.

(d) "Substantial Completion" shall be deemed to occur when the Improvements specified herein (excluding long lead time items) have been completed in accordance with the Space Plans and the Scope of Work, except for punch-list items which do not substantially interfere with Tenant's intended use of the Premises. Landlord will notify Tenant of any long lead time items and will allow Tenant to select alternative comparatively priced materials, if Tenant desires.

(e) Tenant shall prepare and submit a punch-list to Landlord within ten (10) business days after Substantial Completion. If Tenant timely submits such punch-list, then

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Landlord will use commercially reasonable efforts to repair items required to be repaired within sixty (60) days of receipt of such list (which time shall be extended for delays beyond Landlord's reasonable control).

10. **HVAC.** Notwithstanding any provision of the Lease to the contrary, Tenant shall, at its own cost and expense, clean, repair, maintain and replace the HVAC unit(s) serving the Premises, so as to keep it in first class condition and in compliance with the requirements from time to time of all governmental authorities, whether or not it was initially installed at Landlord's expense. In furtherance of the above, Tenant will obtain a quarterly maintenance, repair and service contract on the HVAC unit(s) serving the Premises, said contract to be on such terms and with such company as shall be approved by Landlord in its reasonable business judgment. Tenant shall have control of the HVAC unit(s) serving the Premises twenty-four (24) hours a day. Notwithstanding the foregoing or any provision of the Lease to the contrary, the cap or limit on Tenant's financial obligation for the maintenance, repair, and/or replacement of the HVAC system serving the Premises shall not apply to the new HVAC units to be installed as part of the Improvements (units 31, 32, and 35), it being expressly agreed that Tenant shall be solely responsible for the maintenance, repair and replacement of such units. However, the cap/limit shall continue to apply to any HVAC units serving the Premises that are not being replaced. Tenant shall also have the benefit of the manufacturer's standard twelve (12) month warranty on units 31, 32, and 35.

11. **SECURITY/ACCESS.** Notwithstanding any provision of the Lease to the contrary, during the Extension Term, Tenant shall have access to the Premises 24 hours a day, 7 days a week, subject to such reasonable security measures as may be implemented by Landlord from time to time.

12. **PARKING.** In accordance with the Lease, Tenant shall have the right to park on a non-reserved basis in the Building and/or Park parking facilities in common with other tenants of the Building and/or Park. Tenant agrees to cooperate with Landlord and other tenants in use of the parking facilities. Landlord reserves the right in its reasonable discretion to determine whether the parking facilities are properly used or are becoming overburdened and to allocate and assign parking spaces among Tenant and other tenants, and to reconfigure the parking area and modify the existing ingress and egress from the parking areas as Landlord shall reasonably deem appropriate.

13. **FORFEITURE OF RENEWAL OPTION.** Upon full execution of this Amendment, Paragraph 4 of the Fourth Lease Amendment shall be deleted in its entirety.

14. **ASSIGNMENT TO AFFILIATE.** Notwithstanding any provision of the Lease to the contrary, including but not limited to Section 8.17, Tenant shall be permitted to assign or sublease its interest under the Lease, including the Renewal Option, without the prior written consent of Landlord, provided that: (i) the assignee or subtenant of such interest is an Affiliate of Tenant (as defined below), (ii) Tenant notifies Landlord in writing of the effective date and terms of such assignment or sublease within thirty (30) days after the effective date thereof, and memorializes the same in an appropriate written

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document within thirty (30) days after the effective date of such assignment or sublease, and (iii) if Tenant remains in existence following an assignment, Tenant remains jointly and severally liable with the Affiliate of Tenant for all obligations under the Lease. Tenant and any Affiliate of Tenant shall, at all times, keep the insurance required by the Lease in place. An Affiliate of Tenant shall mean: (i) Masco Corporation, Masco Building Products Corp. or Masco Corporation of Indiana (each a "Masco Company"), (ii) any entity that prior to and following the effective date of the proposed assignment or sublease, directly or indirectly, controls, is controlled by or is under common control with Tenant or a Masco Company; (iii) any entity into which or with which Tenant is merged or consolidated or which is merged or consolidated into or with Tenant; (iv) any entity which acquires all or substantially all of the stock or assets of Tenant; or (v) any entity which acquires a controlling interest in the stock or partnership interests of Tenant. For purposes of this definition, "control" means possessing the power to direct or cause the direction of the management and policies of the entity by the ownership of a majority of the voting securities of the entity.

15. **FINANCIAL STATEMENTS.** Notwithstanding any provision of the Lease to the contrary, including but not limited to Section 8.18, Landlord agrees that Tenant's financial statements and information may be provided on a consolidated basis with Tenant's parent corporation, provided Tenant's parent corporation is a publicly-traded company.

16. **NOTICES TO PARTIES.** Notwithstanding the provisions of Section 13.19 or any other provision of the Lease to the contrary, all notices or demands shall be provided to the parties at the following addresses:

To Landlord:

Virginia Center, LLC  
c/o First Potomac Management LLC  
Attn.: Tim Zulick  
7600 Wisconsin Avenue, 11<sup>th</sup> Floor  
Bethesda, Maryland 20814

To Tenant:

Service Partners, LLC  
1029 Technology Park Drive  
Glen Allen, Virginia 23059  
Attention: Sean Cusack, VP and Controller

With copy of all substantive notices (such as notice of default),  
but not routine notices (such as monthly invoices), to:

Masco Corporation  
21001 Van Born Road  
Taylor, MI 48180  
Attention: General Counsel

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17. **REPRESENTATIONS.** Landlord and Tenant hereby acknowledge that the Lease is in full force and effect and Tenant acknowledges that Landlord has met all of its obligations under the Lease and is not currently in default thereunder.

18. **RATIFICATION.** Unless a term or condition of the Lease is expressly contradicted by the terms of this Amendment or modified hereby, all terms and conditions of the Lease shall remain in full force and effect and continue to bind Landlord and Tenant. In the event that a term of this Amendment is fundamentally inconsistent with a term of the Lease, the terms of this Amendment shall control. The terms of the Lease, as modified hereby, are ratified and affirmed by the parties.

19. **ENTIRE AGREEMENT.** This Amendment constitutes the entire agreement of the parties with respect to the subject matter addressed herein. No terms, conditions, representations, warranties, promises, or understandings, of any nature whatsoever, express or implied, have been made or relied upon by any party hereto. This Amendment may not be modified, waived, discharged or terminated other than by a writing executed by the parties hereto.

20. **BROKERS.** Landlord and Tenant each represents and warrants to the other that it has not employed any broker, agent or finder with regard to this Amendment except First Potomac Management LLC and CB Richard Ellis of Virginia, Inc., which brokers will be paid by Landlord pursuant to a separate agreement with Landlord, and each party hereby indemnifies and holds harmless the other for any other claims relating to commissions or brokerage fees arising from a breach of the above warranty.

21. **AUTHORITY.** The parties hereto: (a) agree to execute any and all documents, and to take any other action, that may be necessary to carry out the express terms and intent of this Amendment; (b) represent that the individuals executing this Amendment on behalf of Landlord and Tenant are duly authorized and empowered to execute this Amendment; and (c) agree that this document shall not be construed against any party due to said party drafting this Amendment. This Amendment may be executed in counterparts.

22. **BINDING EFFECT.** The terms of this Amendment shall be binding upon the parties hereto and their respective successors and assigns.

23. **GOVERNING LAW.** The terms of this Amendment shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia, and any action thereon shall be brought in the appropriate Virginia State court, with the parties waiving the rights of removal to Federal Court.

[Signature Page Follows]

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**IN WITNESS WHEREOF,** the parties hereto set forth their hands and seals to this Fifth Amendment to Lease on the respective dates set forth below but effective as of the date first set forth above.

ATTEST/WITNESS:

LANDLORD

Virginia FP Virginia Center, LLC,  
a/k/a Virginia Center, LLC,  
a Virginia limited liability company

Date: 2/20/08

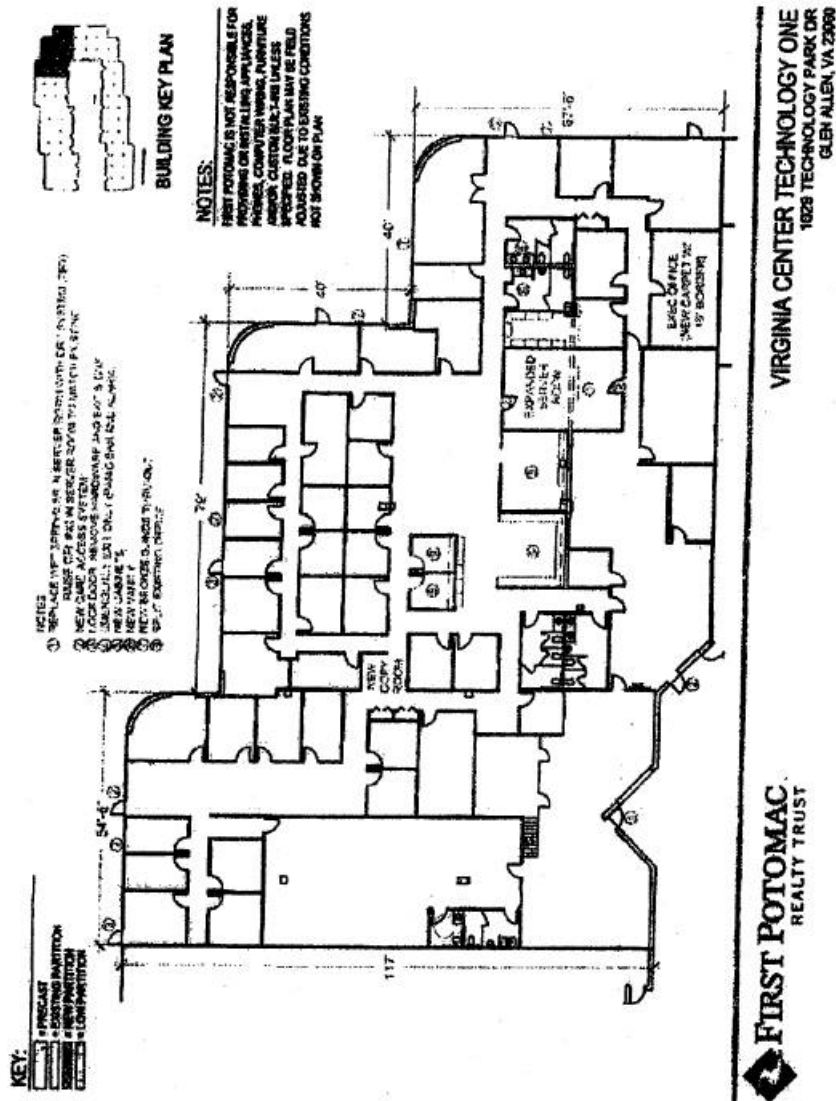
ATTEST/WITNESS

TENANT

Date: February 15, 2008

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### SPACE PLAN 1



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## SPACE PLAN 2





#### Electrical:

- Furnish & install all electrical per CD's.
- If there is no electrical plan, assume at a minimum the following:
  - Each Office to receive;
  - Three (3) Common electrical outlets.

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- One (1) Tel/co box.
- One (1) Light switch
- Three (3) dedicated outlets in the kitchen — break room.
- Two (2) dedicated electrical outlets & (2) tel/co for the two copier rooms.
- Romex wires are no longer to be used. All new electrical is to be run in MC or Conduit.
- If not individually noted on the plans, wire up any & all of the HVAC Unit(s). (If Applicable)
- All new wire is to be Copper, aluminum will not be permitted.
- All circuits originating from the electrical panel must be in conduit and terminate in a junction box above the ceiling. MC cables may be run from the J Box as needed.
- At the conclusion of the project, the new panel directory must be typed, dated & installed in the panel. The old directory sheets must remain in the panel behind the new one.
- Where a dedicated outlet is noted, it should be dedicated/isolated. Shared neutral & ground wires will not be acceptable on these outlets.
- The only exception to the above note would occur in the Kitchen/Break Room areas. Dedicated outlets in these areas can share both the Neutral & Ground wires per code.
- In all instances, only eight (8) electrical outlets may be installed on one circuit.
- All electrical devices are to be Ivory in color with a Stainless Steel cover. At a minimum, all new covers should be metallic and match the majority of the suite. Please pose the question for further clarification if needed.
- At all new tel/co locations, furnish & install a pull string. If there is an existing box noted for reuse, the old wire may be used as the pull string. Conduit is not required unless there is a code issue.
- Wire the new 5 Ton Packaged Unit in the Server Room to the Generator panel.
- Relocate all ten (10) existing NEMA plugs to the new wall(s) per tenant. Circuits are to remain in the panels they currently are in.
- Relocate the 120V outlets in the walls to be demoed to the new wall(s). Circuits are to remain in the panels they currently are in.
- Remove EXIT signs at abandoned exterior doors (Note #3)

#### Mechanical:

- All new HVAC units are to be Trane Packaged Units, with factory installed disconnect, convenience outlet and smoke detector. Contact Mike Orr at (804) 747-3588 or (804) 304-5047 for the FPM National Agreement pricing.
- Rework HVAC grills as required to accommodate the new layout.
- Each room is to have at a minimum one supply grill. If the system is a ducted return, each room to have a return in each room as well.
- Confirm the gas lines have been separated to feed this tenant only (If Applicable).
- Replace the existing 3 Ton Unit feeding the Server Room with a 5 Ton Packaged Unit. The other 5 Ton Unit feeding this room shall remain as is. The new Unit should be wired to the generator panel.

#### Plumbing:

- All new plumbing fixtures are to be polished chrome Delta fixtures with ADA lever handles.

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- All new Bathrooms, Janitorial Closets & Break Rooms should be fed from one 20 gallon water heater. The heater should be mounted in the ceiling above the mop sink or Break Room sink, whichever is more accessible. The electrical service to this should be a 120 V, 30 Amp double pole breaker. Water heater must be made by State, AO Smith or Bradford White.
- Demo all fixtures and associated piping as required for new floor plan. Concrete patches should be at a minimum of 3" and 3,500 psi. If the existing slab is thicker than 3", contractor should fill concrete to match the existing thickness.
- All water lines should be capped off above the ceiling with a valve and a cap for future use.
- Furnish & install one waterline to ice maker in the refrigerator. Water line should be installed in the wall with an ice maker box and isolation valve.
- All Break Rooms are to have one waterline for a coffeemaker with an isolation valve under the sink.
- No saddle valve T's will be permitted.
- Rework and remove all plumbing pipes and drains in the ceiling of the Server Room. There should not be any plumbing overhead once this room is complete.
- Furnish & install a new black GE dishwasher in the \$500 range.

#### Fire Alarm:

- Furnish & install a working system with the ability to expand. The new system should be a Notifer or Fire Lite fire panel with System Sensor A/V devices. (If Applicable)
- All Audio/Visual (A/V) devices must be System Sensor, ceiling mounted and red.

#### Sprinkler:

- Modify the existing system per the CD's and all applicable codes.
- All sprinkler piping must be threaded black iron or copper in the tenant suite. No PVC should be used above the ceiling.
- PVC may be used underground if allowable by code.
- The sprinkler heads must be chrome finished with a metal strut. Trim ring must be chrome, adjustable screw type.
- New sprinkler heads must be installed in the center of the ceiling tile.
- Remove the wet sprinkler pipes and system in the Server Room.
- Furnish & install a complete and working pre-action system in the Server Room. There should not be ANY wet pipes in or over this area once complete.

#### Wall Finishes:

- Paint only the office walls in the areas where construction has occurred with 1 primer and 2 finish coats.

- All walls in all hallways should be replaced with new VWC. Seams should be at the most logical spots. Landlord will use commercially reasonable efforts to match the color and texture of the new VWC to the existing VWC in the hallways.

Flooring:

- Demo the existing carpet & VCT back to bare concrete, flash patch as required per the finish plan.
- Remove all vinyl base prior to painting where the finish plan calls for new base.
- Furnish & install all floor finishes as follows:
  - Exec Office to have a border and a field carpet.
  - File Room (behind bathrooms) CPT
  - Server Room Anti-static floor covering.
  - Break Room Armstrong VCT.

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- Copy Room CPT
- Two small offices No new CPT. Only new Vinyl Base.
- "New Copy Room" CPT.
- Server room floor should be anti-static tile and grounded out per the manufacturers instructions.

Millwork:

- Furnish & install a new PLAM countertop only on all three walls as shown on the space plans in Copy Room(see note #5)
- Furnish & install new upper & lower cabinets with a PLAM top in the Break Room.
- Replace the PLAM top in both Bathrooms (Note 6). Cabinets and plumbing to remain.
- All vertical surfaces will be one color Nevamar PLAM.
- All horizontal surfaces will be one color Nevamar PLAM.
- All doors & drawers are to have brushed chrome, metallic, "U" shaped handles.
- Account for the new dishwasher to be installed in the casework.

- End of List -

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**EXHIBIT "C"**

Joyner's Mechanical HVAC Equipment Survey

**Joyner's Mechanical, Inc.**

**Unit Inspection List**

[ILLEGIBLE]

Location: SERVICE PARTNERS  
1029 TECHNOLOGY PARK

**Equipment Survey**

UNIT#: 39A 1994 Model (approximately 6 years life expectancy left.)

Make: YORK  
Model#: B1PA024A06C  
Serial#: NACM000664  
Repairs Needed:  
Serves: Downstairs

Discrepancies Noted:  
Okay

TOTAL Cost:

UNIT#: 38 1993 Model (approximately 6 years life expectancy left.)

Make: CARRIER  
Model#: 48LJD008531  
Serial#: 3193G01577  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Okay

TOTAL Cost:

UNIT#: 36 1993 Model (approximately 6 years life expectancy left.)

Make: CARRIER  
Model#: 48LJE009-521  
Serial#: 2793G17362  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Has original compressors, blower has  
Bearing noise. Has new heat exchanger.

TOTAL Cost: \$811.00

UNIT#: 35 1990 Model

Make: YORK  
Model#: B2CH048A46A  
Serial#: NGXM137061  
Repairs  
Serves:

Discrepancies Noted:  
Has original compressor and squeals during  
shut down.  
Due to age, replacement is recommended.

Replacement Cost:  
\$5,719.00

UNIT#: 34 Outdoor Unit 1999 Model (approximately 7 years life expectancy left.)

Make: CARRIER  
Model#: 38CKC036810  
Serial#: 0699E11887

Discrepancies Noted:  
Contractor needs to be replaced

TOTAL Cost:\$233.00

Repairs Needed:  
Serves: Computer Room Unit

UNIT#: 33 2007 Model  
Make: Trane  
Model#: WSC048A4R0A26012A  
Serial#: 708102793L  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Okay

TOTAL Cost:

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**Joyner's Mechanical, Inc.**

**Unit Inspection List**

Location: SERVICE PARTNERS  
1029 TECHNOLOGY PARK

UNIT#: 32 1987 Model  
Make: CARRIER  
Model#: 50QH006820  
Serial#: 0887G62735  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Original compressor and reversing valve.  
Compressor is rusted, accumulator is  
rusted and the cabinet is rusted. Unit is in  
fair condition for its age.  
Due to age, replacement is recommended.

Replacement Cost:  
\$7,980.00

UNIT#: 31 1987 Model  
Make: CARRIER  
Model#: 50QH006620  
Serial#: 0887G62739  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Original compressor and reversing valve.  
Evaporator end plates are rusted. Unit is in  
fair condition for its age.  
Due to age, replacement is recommended.

Replacement Cost:  
\$7,980.00

UNIT#: 40 2003 Model  
Make: TRANE  
Model#: WSC060A4R0A0X0  
Serial#: 321101228L  
Repairs Needed:  
Serves: Training/Warehouse

Discrepancies Noted:  
Okay. Unit is in good condition.

TOTAL Cost:

UNIT#: 39 2003 Model (approximately 8 years life expectancy left.)  
Make: TRANE  
Model#: WSC090A4R0A12P00  
Serial#: 328102238L  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Okay

TOTAL Cost:

UNIT#: 35 Computer Room 2003 Model  
Make: TRANE  
Model#: TSC060A4R0A1200  
Serial#: 324102165L  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Need to troubleshoot refrigeration circuit.  
(charge maybe low), coils need to be cleaned.  
Unit is in good condition

TOTAL Cost: T & M

UNIT#: 8 Air Handler 1999 Model (approximately 7 years life expectancy left.)  
Make: Carrier  
Model#: FA4ANF036  
Serial#: 3599A27544  
Repairs Needed:  
Serves: Computer Room

Discrepancies Noted:  
Okay

TOTAL Cost:

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**Joyner's Mechanical, Inc.**

**Unit Inspection List**

Location: SERVICE PARTNERS  
1029 TECHNOLOGY PARK

UNIT#: Exhaust Fan (approximately 8 years life expectancy left.)  
Make: GE  
Model#: SKH390N9090  
Serial#: PEJ  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Okay

TOTAL Cost:

UNIT#: Exhaust Fan (approximately 8 years life expectancy left.)

Make:  
Model#: XV-94  
Serial#:  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Okay

TOTAL Cost:

UNIT#: Exhaust Fan (approximately 8 years life expectancy left.)

Make:  
Model#: G80DGEXQD  
Serial#: 93G09047  
Repairs Needed:  
Serves:

Discrepancies Noted:  
Okay

TOTAL Cost:

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## EXHIBIT "D"

### Fiberplus Quote for Richmond Location Access Control



Date: November 2, 2007  
To: Craig Linn  
MASCO / Service Partners

From: Glenn Gootee

RE: Quote for Richmond Location Access Control

#### FIBERPLUS will Install:

1 Material list below to be installed by Fiberplus, 4 hours of training will be provided to the end user The software will be installed on a Service Partner provided computer:

CA8000	8 reader controller	1
KPROX2	slim line prox reader	6
SYSTEM V	Basic system software	1
USB-SER	USB serial connector	1
HID-C1325	Prox Card 38 Bit Pk/50	1
DS1601	request to exit motion PIR	6
SD-70	commercial recessed contact	6
AL600ULACM	UL listed 6A lock power supply w/interface	1
1280	12V 8aH battery	2
TRG1640	transformer	2
	Multi-conductor "Banana Peel" Plenum rated cable	2000
DTK-BU450	UPS for Panels	1

"Due to the rapidly escalating cost of cable and many other telecommunications and construction materials, Fiberplus, Inc. reserves the right to adjust the price of this proposal solely to reflect such cost increases."

FPI reserves the right to adjust the quoted price based on market fluctuations for materials purchased after 30 days from date of acceptance.

THIS DOCUMENT IS PROPRIETARY AND SHALL NOT BE REPRODUCED OR DISTRIBUTED WITHOUT PRIOR WRITTEN CONSENT FROM  
FIBERPLUS, INC.

8221 Hermitage Rd · Richmond, VA 23228 · tel: 804-264-1880 · fax: 804-264-2009  
·infova@fiberplusinc.com www.fiberplusinc.com

D-1

1 Door Work to be provided by Subcontractor, Detailed Scope of work below:

#### Door work

Qty	Description
	Front Door, Side Door One, Side Door Two
3	4900-35-102 1 1/8" B.S. Heavy Duty Deadlatch Dura finish
3	4591-02-00-313 Push Handle Dura finish
3	L6507-32D Low Profile Centerlatching

	Back Door 2
1	S6514-32D Electric Strike 24/12 VDC
	Server Room Front Door
1	S6514-32D Electric Strike 24/12 VDC
	14-S-CS 5" x 14" Stainless Steel Simplex Conversion Wraparound Plate for 1 3/4" door w/ 2 3/4"
1	Backset
1	AR0015 Grade 2 Brushed Chrome Storeroom Leverset - CS Keyway
	Server Room Back Door
1	S6514-32D Electric Strike 24/12 VDC
1	Grade 2 Brushed Chrome Storeroom Leverset - CS Keyway
1.00	Labor to install hardware on above doors
	Back Door 1 (Needs Door Repair)
1	SL5783" Full Surface Continuous Hinge
1	271A36 3 Ft. Threshold 5" x 1/4"
1	57DV36 3 Ft. Vinyl Sweep 7/8" Holder x 7/8" Sweep Dark Bronze Alum w/ Black Vinyl Insert
1	Latch Guard SL L.P Lever and Elec. Strike
1	Grade 2 Brushed Chrome Storeroom Leverset - CS Keyway
1	S6514 Electric Strike 24/12 VDC
1.00	Labor to install hardware on above doors

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All work to be performed during regular business hours between 7am and 5pm, with minimum interference. All cabling will be labeled, tested, and warranted for one year.

FPI is a registered BICSI installer. For verification, please call 1-800-242-7405.

FPI employs a Master General Electrician and is licensed by the State of Virginia, Maryland and several counties to perform electrical construction and to obtain low voltage communication cabling permits.

FPI is able to supply a Certificate of Insurance if necessary for this project.

#### NOTES:

1. All structure will be provided by others, and will be open and passable.
  2. All work will be performed in accordance with State and Local Codes, EIA/TIA, and BICSI standards.
  3. Marked floor plans showing exact locations to be provided to FiberPlus prior to job starting.
  4. Unless job is to be expedited, FiberPlus will require (72) hours lead time for scheduling.
  5. FiberPlus reserves the right to re-negotiate this contract if downtime is encountered, which is beyond the control of FiberPlus (i.e., delays in construction schedule, limited access to work area, etc.).
  6. Unless provided with a "Sales Tax Exemption" form, sales taxes will apply.
  7. All work to be performed with minimum interference, during regular business hours between 7am and 5pm, unless specified in writing by FiberPlus, Inc.
- If these conditions are not present a change order may be necessary.

#### EXCLUSIONS:

1. Permit.
2. Plywood backboard in closet.
3. Core drilling.
4. Power poles.
5. Cross-connect wiring at MPOP to active lines.
6. 115 Volt electrical requirements.

#### CHANGE ORDERS

Changes to the scope of work may become necessary and both parties to this contract have the right to request changes to the original, agreed upon Scope of Work. Changes may take one of two forms.

Where either your point-of-contact or FPI is requesting a change, the request should be made in writing and submitted to the appropriate point-of-contact. If the requested change alters the base contract amount FPI will prepare a Change Order describing the requested change and the Dollar amount of the change. Upon authorization, FPI will perform the work. Where the change is requested in the field by your point-of-contact, the FPI lead technician will prepare a Field Change Order describing the requested change. An authorized signature must be obtained before work can be done. A copy will be given to your point-of-contact and FPI will price the change and include the amount as an adjustment to the base contract. FPI will inform you as to the amount of the change.

Labor rates are quoted at standard daytime labor rates. If overtime, weekend or evening rates are requested by the customer, then it will require a change order. If Davis-Bacon or scale labor rates are required, then FiberPlus reserves the right to provide a new quotation. FPI may invoice for change orders separately or in conjunction with the primary invoice(s) at FPI's option.

#### BILLING SCHEDULE FOR FIXED PRICE PROJECTS:

30% at contract signing; 30% at start of project and balance upon completion.

#### PAYMENT:

Material will be billed on the first day that material is delivered to the job and is due thirty (30) days from receipt of invoice. Balance of payment is due thirty (30) days net after completion and acceptance of signed work order.

Payment Terms: 30 days net after completion and acceptance of signed work order. Accounts outstanding for more than 30 days will bear interest at the rate of 1-1/2 percent per month (18% APR) on the unpaid balance. If collection or legal fees are incurred these will also be billed.

Material:	\$	10,055.38
Labor:	\$	2,866.62
Door Subcontractor:	\$	4,204.86
Total: Seventeen Thousand, One Hundred Twenty Six and 86/100 Dollars	\$	17,126.86

ACCEPTANCE:

ACCEPTED. The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Date of Acceptance \_\_\_\_\_  
By \_\_\_\_\_  
Purchase Order # \_\_\_\_\_  
Proposal Name \_\_\_\_\_

Very truly yours,  
FiberPlus, Inc.  
Via- E-mail  
Glenn Gootee  
Sales Engineer

## SIXTH AMENDMENT TO LEASE

This **Sixth Amendment to Lease** (this "Amendment") is made and entered into as of this 5th day of February, 2013, by and between **Virginia FP Virginia Center, LLC, a/k/a Virginia Center, LLC**, a Virginia limited liability company, successor-in-interest to Principal Life Insurance Company ("Landlord"), and **Service Partners, LLC**, a Virginia limited liability company, incorrectly identified in the Fifth Amendment (hereinafter defined) as "Services Partners, LLC" ("Tenant").

## WITNESSETH:

**WHEREAS**, Landlord, through its predecessor-in-interest, and Tenant are parties to a Deed of Lease dated August 10, 1999, as amended by the First Lease Amendment dated October 25, 1999, the Second Lease Amendment dated March 8, 2000, the Third Lease Amendment dated August 1, 2000, the Fourth Lease Amendment dated June 2, 2003, and the Fifth Amendment to Lease (the "Fifth Amendment") dated February 15, 2008 (collectively, the "Lease"), whereby Tenant leases from Landlord certain premises containing approximately seventeen thousand five hundred ten (17,510) rentable square feet (the "Premises"), located at 1029 Technology Park Drive, Glen Allen, Virginia 23059 (the "Building"), for a Term which expires on February 28, 2013 (the "Current Term"); and

**WHEREAS**, Landlord and Tenant wish to amend the Lease by extending the Term by an additional seven (7) years, and to otherwise modify the Lease.

**NOW THEREFORE**, in consideration of the mutual covenants herein made, Landlord and Tenant hereby enter into this Amendment and state as follows:

1. **RECITALS.** The foregoing recitals are incorporated herein by this reference.
2. **CAPITALIZED TERMS.** Unless otherwise defined herein, all capitalized terms shall have the same meaning as they have been assigned in the Lease.
3. **LANDLORD/TENANT.** Landlord is the Landlord (as such term is defined in the Lease) for all purposes under the Lease. Tenant is the Tenant (as such term is defined in the Lease) for all purposes under the Lease.
4. **TERM.** Notwithstanding any provision of the Lease to the contrary, the Term shall be extended by an additional period of time (the "Extension Term") following the expiration of the Current Term. The Extension Term shall commence on March 1, 2013 (the "Extension Term Commencement Date") and shall expire at 11:59 p.m. on the last day of the eighty-fourth (84<sup>th</sup>) full calendar month following Substantial Completion of the Improvements (the "Extension Term Expiration Date"). Notwithstanding any provision in the Lease to the contrary, Tenant shall have no right to further extend the Term of the Lease beyond the Extension Term Expiration Date, except as specifically provided for in **Paragraph 9** below. The parties shall execute a Declaration (in the form set forth in **Exhibit "C"**) after the Extension Term Expiration Date and other relevant dates set forth therein have been established.

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5. **PREMISES.** Tenant acknowledges that Tenant is currently in possession of the Premises and Tenant agrees to accept the Premises in its "as is" condition for the duration of the Extension Term, except as expressly set forth in **Paragraph 6** below.

6. **IMPROVEMENTS.** (a) Within approximately sixty (60) days following the later of: (i) the date Tenant completes its relocation to the Temporary Space (hereinafter defined), (ii) the date the Construction Documents (hereinafter defined) are approved by Tenant; and (iii) the date the Construction Schedule (hereinafter defined) is approved by Tenant, Landlord at its sole cost and expense shall promptly and diligently Substantially Complete (hereinafter defined) the "turn-key" construction of the Improvements (hereinafter defined) in a good and workmanlike manner in full compliance with all applicable laws, regulations and ordinances. The "Targeted Substantial Completion Date" shall be the sixty-first (61<sup>st</sup>) day following the later of (i), (ii) and (iii) above. The improvements set forth on the space plan attached hereto as **Exhibit "A"** (the "Space Plan") and in the scope of work attached hereto as **Exhibit "B"** (the "Scope of Work") are collectively referred to herein as the "Improvements." Promptly following the execution of this Amendment, Landlord and Tenant shall establish a mutually-acceptable construction schedule (the "Construction Schedule") for the completion of the Improvements (Landlord and Tenant each agreeing to negotiate in good faith to arrive at such Construction Schedule within one (1) week after delivery to Tenant). For the purposes of this Amendment, "Construction Documents" shall mean the working drawings required by Henrico County to submit for all applicable permits. Landlord will provide the Construction Documents to Tenant within thirty (30) days following the full execution of this Amendment. Tenant will review and approve or provide detailed comments on the Construction Documents within one (1) week of receipt.

(b) If Tenant requests any changes to the Improvements (the "Tenant Changes"), Tenant must present Landlord with revised drawings and specifications for Landlord's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed. In the event that Tenant Changes result in an increase in the hard or soft costs of the Improvements that increases the total costs of the Improvements ("Cost Increase"), then, if Landlord approves the Tenant Changes, Landlord will deliver to Tenant a written change order that sets forth the Tenant Changes and the Cost Increase by reason thereof ("Change Order"). If, and only if, Tenant approves the Change Order in writing, then Landlord shall incorporate the approved Tenant Changes into the Improvements. Notwithstanding any provision of this Amendment to the contrary, Tenant shall pay to Landlord as Additional Rent any Cost Increase associated with an approved Change Order within thirty (30) days following receipt of an invoice from Landlord regarding the same.

(c) Landlord's obligations with respect to improvements and alterations of the Premises shall be limited to the Improvements. The Improvements will be constructed using Building standard materials consistent with the materials used in comparable buildings in the Glen Allen, Virginia submarket.

(d) The parties acknowledge that Tenant is currently in possession of the Premises and therefore Landlord's ability to complete the Improvements is dependent upon Landlord obtaining access to the Premises, which access is subject to the terms of the Lease. Landlord and Tenant acknowledge that Tenant shall have forty-five (45) days to relocate to the Temporary Space after

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this Amendment is fully executed. Following such relocation, Landlord shall have unfettered access to the Premises at all times to the extent needed to enable Landlord to complete the Improvements in a timely fashion. Following Tenant's relocation to the Temporary Space and Tenant's approval of the construction documents for the Improvements, Landlord agrees to promptly commence and thereafter diligently pursue completion of construction of the Improvements upon receipt of permits and approval of the plans. During the construction of the Improvements, Tenant shall not interfere with or hinder Landlord in any way in its efforts to complete the Improvements. In addition, Tenant shall timely remove all property from the portion of the Premises where work is being performed in order to facilitate Landlord's ability to complete construction of the Improvements. The parties acknowledge and agree that, during the construction of the Improvements, (i) Tenant will continue to need the use of, and will be given access to, the Premises, and (ii) the Improvements will interfere with Tenant's use of the Premises, and it is hereby expressly agreed that the same shall not be deemed a constructive eviction of Tenant, nor shall it work an abatement of Base Rent, Additional Rent or any other amounts due under the Lease. Tenant's obligations set forth in this **Paragraph 6(d)** are expressly made subject to and conditioned upon Landlord's compliance with its obligation to make the Temporary Space available for Tenant's use and occupancy during the entire Temporary Space Term, as provided in **Paragraph 11** below.



(e) “Substantial Completion” and “Substantially Complete(d)” shall mean that (i) the Improvements have been completed in accordance with the Space Plan and the Scope of Work and in compliance with the provisions of Section 6(a) above, except for punch-list items which do not substantially interfere with Tenant’s permitted use of the Premises, which items Landlord shall proceed with all due diligence to complete (it being agreed that Landlord shall complete all such punch-list items within thirty (30) days following receipt of the punch-list as set forth in subsection (f) below), (ii) to the extent required under local building ordinances, the Improvements have passed the final inspection and a temporary or permanent certificate of occupancy has been issued permitting the immediate use and occupancy of the entire Premises, (iii) all utilities, mechanical systems and equipment included in the Improvements are fully functioning, and (iv) the Improvements are in good condition and repair and all construction debris and contractor property have been removed from the Premises. Landlord will notify Tenant of any long lead time items and will allow Tenant to select alternative comparatively priced materials, if Tenant so desires.

(f) Landlord and Tenant shall jointly prepare a punch-list at the walk-through with the Landlord’s construction manager, which will take place within thirty (30) days following Substantial Completion. Landlord will use commercially reasonable efforts to repair items required to be repaired within thirty (30) days of receipt of such list (which time shall be extended for delays beyond Landlord’s reasonable control).

(g) Provided all final invoices have been received from the vendors and paid within sixty (60) days after Substantial Completion of the Improvements, Landlord shall provide Tenant with a reasonably detailed statement (the “Landlord Statement”) setting forth (i) the total amount (including both hard and soft costs) paid by Landlord for the Improvements, and (ii) the brokerage fees paid by Landlord in connection with this Amendment (collectively, “Landlord’s Costs”). If Landlord fails to provide such statement within said sixty (60) day period, Tenant shall have the right to make a written request for the same and Landlord shall thereafter provide

the statement to Tenant within thirty (30) days of Tenant’s written request. Upon ten (10) business days’ prior written notice to Landlord, Tenant shall have the right, at its sole cost and expense, to review Landlord’s books and records of Landlord’s Costs. In the event such Tenant review reveals a different amount of Landlord’s Costs than set forth in the Landlord Statement, then the parties shall, in good faith, proceed to reconcile and determine the actual amount of Landlord’s Costs based upon Landlord’s books and records.

7. **RENT.** For the remainder of the Current Term, Tenant shall continue to pay Base Rent in the amounts and upon the terms and conditions set forth in the Lease. During the Extension Term, Tenant shall pay Base Rent in the amounts set forth in the following schedule (for purposes of the following schedule, the term “End Date” shall mean the last day of the calendar month in which Substantial Completion of the Improvements occurs, and “Lease Year” shall mean each consecutive twelve (12) month period following the End Date):

Time Period	Per Square Foot Rate		Annual Rent		Monthly Rent	
3/1/13 – End Date*	\$	11.75		N/A	\$	17,145.21
First Lease Year	\$	11.25	\$	196,987.50	\$	16,415.63
Second Lease Year	\$	11.48	\$	201,014.80	\$	16,751.23
Third Lease Year	\$	11.71	\$	205,042.10	\$	17,086.84
Fourth Lease Year	\$	11.94	\$	209,069.40	\$	17,422.45
Fifth Lease Year	\$	12.18	\$	213,271.80	\$	17,772.65
Sixth Lease Year	\$	12.42	\$	217,474.20	\$	18,122.85
Seventh Lease Year	\$	12.67	\$	221,851.70	\$	18,487.64

\* Notwithstanding the foregoing, in the event the Landlord has not Substantially Completed the Improvements by the Targeted Substantial Completion Date (as defined in Paragraph 6(a) above), then Tenant’s obligation to pay Base Rent shall be reduced from the Monthly Rent amount of \$17,145.21 to the Monthly Rent amount of \$16,415.63, for the period beginning on the day after the Targeted Substantial Completion Date and continuing until the End Date, it being agreed that the Monthly Rent will be pro-rated on a per diem basis for any partial month.

8. **ADDITIONAL RENT.** For the remainder of the Current Term and throughout the Extension Term, Tenant shall continue to pay its Proportionate Share of Operating Expenses, Taxes and Assessments, Casualty Insurance obtained by Landlord, and Utility Charges, to the extent such Utility Charges pertain to the Common Facilities or which are not separately metered, pursuant to the Lease, as well as all other Additional Rent specified in the Lease.

9. **RENEWAL OPTION.** (a) Tenant shall have the conditional right to extend the Term of the Lease (the “Renewal Option”) for one (1) additional term (the “Renewal Term”) of five (5) years beyond the Extension Term at the Base Rent set forth in sub-paragraph (b) below and upon the same terms and conditions set forth in the Lease as amended hereby (except that there will be no further privilege of extension), provided that the following conditions are met:

(i) Tenant notifies Landlord in writing of its election to exercise the Renewal Option granted hereby at least one hundred eighty (180) days prior to the expiration of the Extension Term;

(ii) at the time of the exercise of such Renewal Option and for the remainder of the Extension Term thereafter, there is no existing default by Tenant which is not remedied within the applicable cure periods set forth in the Lease;

(iii) the Lease has not terminated prior to the commencement of the Renewal Term; and

(iv) at the time of the exercise of such Renewal Option and for the remainder of the Extension Term thereafter, the original named Tenant (or an Affiliate of Tenant, as defined in the Lease) is in possession of and occupying the entire Premises [it being the intent of the parties that this option is personal to the original named Tenant hereunder (or an Affiliate of Tenant) and if such Tenant (or an Affiliate of Tenant) is no longer in possession of and occupying the entire Premises, then this option is void].

(b) During the first year of the Renewal Term, Tenant shall pay Landlord Base Rent equal to ninety-five percent (95%) of the then-current fair market rate, as determined by Landlord in its sole and absolute discretion. Within approximately thirty (30) days of Landlord’s receipt of Tenant’s notice of its election to exercise the Renewal Option, Landlord will provide Tenant with notice of the proposed Base Rent. Tenant shall have ten (10) business days to accept or reject the proposed Base Rent. If the Tenant rejects the proposed Base Rent, the Lease shall terminate on the Extension Term Expiration Date. If the Tenant accepts the Landlord’s proposed Base Rent, Landlord shall deliver to Tenant a draft of the amendment to the Lease referenced in sub-paragraph (c) below, which amendment shall reflect the exercise of this Renewal Option and include the amount of the proposed Base Rent. During the Renewal Term, Base Rent shall escalate three percent (3%) per year.

(c) Prior to the commencement of the Renewal Term, upon the request of Landlord, Tenant hereby agrees to execute an amendment to the Lease memorializing said extension of the Term. If Tenant fails to timely notify Landlord of its desire to exercise the Renewal Option granted hereby, then Tenant shall be deemed to have

conclusively waived its Renewal Option.

10. **TERMINATION OPTION.** (a) Tenant shall have a conditional right to terminate this Lease (the "Termination Option") as of the last day of the fifth (5<sup>th</sup>) Lease Year (as such term is defined in Paragraph 7) or at any time thereafter, subject to the satisfaction of all of the following conditions:

(i) Tenant notifies Landlord in writing of Tenant's election to exercise its Termination Option (the "Termination Notice") at least four (4) full calendar months prior to Tenant's desired early termination date, which Termination Notice must specify Tenant's desired early termination date (the "Early Termination Date");

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(ii) at the time of Tenant's Termination Notice and as of the Early Termination Date, there is no default by Tenant under the Lease beyond any applicable notice and cure period;

(iii) at the time of Tenant's Termination Notice, Tenant has not exercised the Renewal Option granted in Paragraph 9 above; and

(iv) Tenant pays to Landlord, as Additional Rent under the Lease, the Termination Fee (as defined below), which Termination Fee must be paid to Landlord within twenty (20) days after Tenant delivers the Termination Notice.

(b) The Termination Fee shall be equal to the unamortized portion of the Landlord's Costs as of the Early Termination Date. For the purpose of determining the unamortized portion of the Landlord's Costs, all such Landlord's Costs, along with interest thereon at eight percent (8%) per annum, will be amortized on a straight line basis in equal monthly installments over the period beginning on the End Date and ending on the Extension Term Expiration Date.

(c) If Tenant properly exercises the Termination Option and the conditions applicable thereto have been satisfied, the Lease shall be deemed terminated on the Early Termination Date, Tenant shall return possession of the Premises to Landlord in broom clean condition and in accordance with the terms of the Lease, and the parties respective rights and obligations under the Lease shall terminate, except for those obligations which accrue prior to such Early Termination Date and those rights and obligations which expressly, or by their nature, survive the termination of the Lease (including all indemnification obligations). If Tenant properly exercises the Termination Option and subsequently fails to timely and properly vacate the Premises and return possession thereof to Landlord on or before the Early Termination Date, Tenant shall be deemed to be holding over in the Premises, which holdover shall be subject to the holdover provisions of the Lease.

11. **TEMPORARY SPACE.** (a) Landlord will permit Tenant to use the Temporary Space (hereinafter defined) for general business office use during the period beginning on the next business day following the full execution of this Amendment and ending thirty (30) days after the Improvements are Substantially Completed (the "Temporary Space Term"). The "Temporary Space" means that certain space containing approximately 8,688 rentable square feet and known as Suite 1011 located within the Building, as shown on Exhibit "C" attached hereto and made a part hereof. Notwithstanding any provision herein to the contrary, Landlord warrants that, as of the commencement of the Temporary Space Term, the Temporary Space and all equipment and systems in or servicing same (including the plumbing, electrical, shipping doors, security and HVAC systems) shall be in good working order and condition, and the roof over the Temporary Space shall be free from leaks. Except as otherwise provided herein, the Tenant will accept the Temporary Space for the Temporary Space Term in its then-current "as is" condition.

(b) Except as otherwise provided in this Paragraph 11, Tenant's use of the Temporary Space shall be governed by all of the terms of the Lease, including the indemnity provisions thereof, except that Tenant shall not be obligated to pay Base Rent, Operating Expenses, Taxes and Assessments, Casualty Insurance, Utility Charges, or any other Additional Rent specified in

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the Lease with respect to the Temporary Space, except as set forth below. The Tenant will vacate and return the Temporary Space to the Landlord on or before the expiration of the Temporary Space Term in broom clean condition and in the same condition as the same existed on the date that Landlord delivered possession of the Temporary Space to Tenant, normal wear and tear excepted. If Tenant does not vacate the Temporary Space and return the same to Landlord in the condition set forth above by the forty-sixth (46<sup>th</sup>) day following Substantial Completion of the Improvements, then Tenant shall pay the Landlord holdover Base Rent for the Temporary Space in an amount equal to \$8,507.00 per month until Tenant vacates the Temporary Space and returns the same to Landlord. The holdover Base Rent for the Temporary Space shall be prorated for any period less than one (1) month.

(c) Tenant shall be solely responsible for contracting with the appropriate utility company for electrical services rendered or furnished to the Temporary Space throughout the Temporary Space Term. The cost of all such electrical services, together with any related installation or connection charges or deposits and all taxes, levies and other charges on such electrical services, shall be borne by Tenant. Tenant shall promptly pay all bills for such electrical services, and Landlord shall be responsible for the cost of all other utility service provided by Landlord to the Temporary Space during the Temporary Space Term. Landlord shall not be liable for any failure to furnish, or for any loss, injury or damage caused by or resulting from any variation, interruption or failure of electrical services.

(d) Landlord and Landlord's Agents shall have the right to enter the Temporary Space from time to time upon reasonable prior notice to Tenant (which notice may be oral or written) to show the Temporary Space to prospective tenants. During any such access to the Temporary Space, Landlord shall exercise reasonable efforts to minimize any interference with Tenant's use of the Temporary Space. Landlord shall also have the right to place "For Rent" signs at the Temporary Space.

12. **REPRESENTATIONS.** Landlord and Tenant hereby acknowledge that the Lease is in full force and effect. Landlord and Tenant each hereby acknowledge and represent to the other party that, to the best of such representing party's knowledge, there is no condition, act or neglect by either party which would constitute a default under the Lease with the giving of notice, the passage of time or both, and that, to the best of the representing party's knowledge, each party has performed all of its obligations under the Lease and made all payments due thereunder through the date of this Amendment.

13. **RATIFICATION.** Unless a term or condition of the Lease is expressly contradicted by the terms of this Amendment or modified hereby, all terms and conditions of the Lease shall remain in full force and effect and continue to bind Landlord and Tenant. In the event that a term of this Amendment is fundamentally inconsistent with a term of the Lease, the terms of this Amendment shall control. The terms of the Lease, as modified hereby, are ratified and affirmed by the parties.

14. **ENTIRE AGREEMENT.** This Amendment constitutes the entire agreement of the parties with respect to the subject matter addressed herein. Except as expressly set forth in the Lease and this Amendment, no other terms, conditions, representations, warranties, promises, or understandings, of any nature whatsoever, express or implied, have been made or relied upon by

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any party hereto. This Amendment may not be modified, waived, discharged or terminated other than by a writing executed by the parties hereto.

15. **BROKERS.** Landlord and Tenant each represent and warrant to the other that it has not employed any broker, agent or finder with regard to this Amendment except that Landlord represents that it has been represented in this transaction by CB Richard Ellis and First Potomac Management LLC, which brokers will be paid pursuant to a separate agreement with Landlord, and each party hereby indemnifies and holds harmless the other for any other claims relating to commissions or brokerage fees arising from a breach of the above warranty.

16. **AUTHORITY.** The parties each: (i) agrees to execute any and all documents, and to take any other action, that may be necessary to carry out the express terms and intent of this Amendment; (ii) represents that the individuals executing this Amendment on its behalf are duly authorized and empowered to execute this Amendment; and (iii) agrees that this document shall not be construed against any party due to said party drafting this Amendment. This Amendment (a) may be executed in counterparts and all such counterparts, together, shall constitute one and the same document, and (b) may be in the form of facsimile, photocopy or electronically-transmitted copy of a signed counterpart, all of which shall have the same force and effect as an ink-signed original.

17. **BINDING EFFECT.** The terms of this Amendment shall be binding upon the parties hereto and their respective successors and assigns.

18. **MISCELLANEOUS.** The parties hereby acknowledge and agree that **Paragraph 8** of the Fifth Amendment to Lease (Renewal Option) is hereby deleted in its entirety and of no further force and effect.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties hereto set forth their hands and seals as of the date first set forth above.

ATTEST/WITNESS:

LANDLORD

**Virginia FP Virginia Center, LLC,  
a/k/a Virginia Center, LLC,  
a Virginia limited liability company**

By: First Potomac Realty  
Investment Limited Partnership  
Its Sole Member  
By: First Potomac Realty Trust  
Its General Partner

[ILLEGIBLE]

By: /s/ Anthony R. Beck  
Name: Anthony R. Beck  
Title: Vice President  
Date: 2/5/13

ATTEST/WITNESS

TENANT

**Service Partners, LLC,  
a Virginia limited liability company**

[ILLEGIBLE]

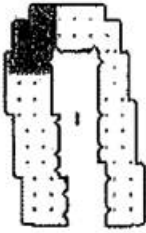
[ILLEGIBLE]

By: /s/ Lawrence F. Lekwin  
Name: Lawrence F. Lekwin  
Title: Vice President  
Date: [ILLEGIBLE]

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**EXHIBIT A**

**SPACE PLAN**



# **BUILDING KEY PLAN** **FIELD MEASURED**

## **KEY:**

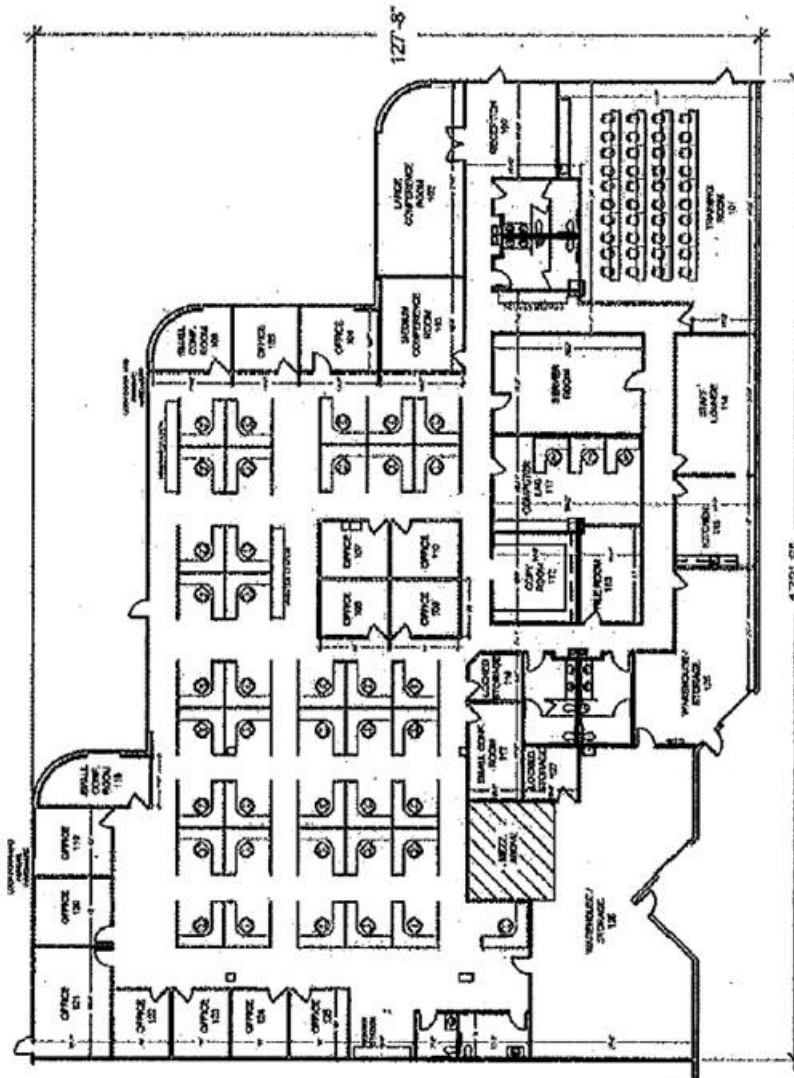
- XXXXX = CHU PARTITION
- XXXXX = EXISTING PARTITION
- XXXXX = NEW PARTITION
- XXXXX = LOW PARTITION
- XXXXX = DEMOLISHED PARTITION

## **NOTES:**

FIRST POTOMAC IS NOT RESPONSIBLE FOR PROVIDING OR INSTALLING APPLIANCES, PHONES, COMPUTER WORKING, FURNITURE AND/OR CUSTOM BUILT UNLESS SPECIFIED IN THE LEASE. THIS IS A CONCEPTUAL DRAWING ONLY. FIRST POTOMAC MAKES NO REPRESENTATION OR WARRANTY AS TO COMPLIANCE WITH CODES. THIS IS THE RESPONSIBILITY OF THE ARCHITECT. FIRST POTOMAC MAKES NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OF THE FIELD MEASUREMENTS. DUE TO EXISTING CONDITIONS NOT SHOWN ON PLAN.

## **SERVICE PARTNERS**

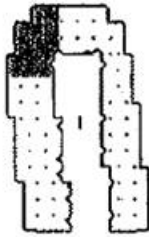
6-00-13  
 1500 SGT - OFFICE  
 200 SGT - WAREHOUSE  
 1750 TOTAL SQUARE FEET



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**VIRGINIA CENTER TECHNOLOGY ONE**  
 1029 TECHNOLOGY PARK DR  
 GLEN ALLEN, VA 23059



# **BUILDING KEY PLAN**

KEY:

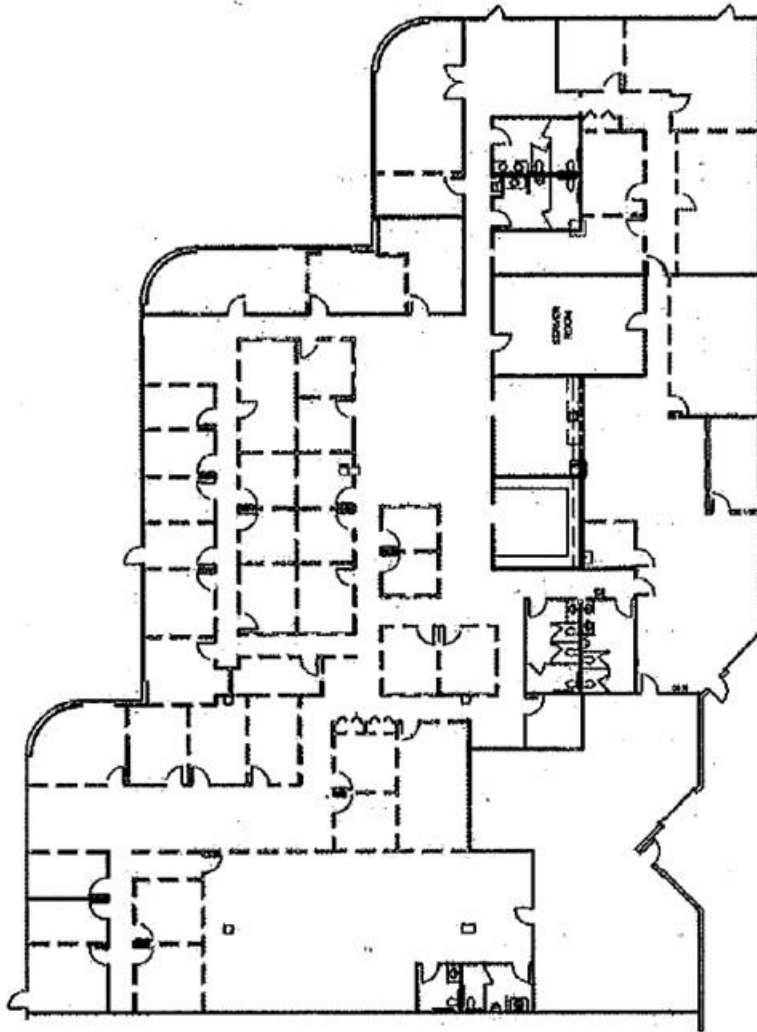
- = CMU PARTITION
- = EXISTING PARTITION
- = NEW PARTITION
- = LOW PARTITION
- = DEMOLISHED PARTITION

## **NOTES:**

FIRST POTOMAC IS NOT RESPONSIBLE FOR PROVIDING OR INSTALLING APPLIANCES, PHONES, COMPUTER WIRING, FURNITURE, AND/OR CUSTOM BUILT AS UNLESS SPECIFIED IN THE LEASE. THIS IS A CONCEPTUAL DRAWING ONLY. FIRST POTOMAC MAKES NO REPRESENTATION OR WARRANTY AS TO COMPLIANCE WITH CODES. THIS IS THE RESPONSIBILITY OF THE LICENSED PROFESSIONAL TO REVIEW. FLOOR PLAN MAY BE FIELD ADJUSTED DUE TO EXISTING CONDITIONS NOT SHOWN ON PLAN.

## **SERVICE PARTNERS**

9,121 SQ  
15,000 SQFT - OFFICE  
2,400 SQFT - WAREHOUSE  
17,500 TOTAL SQUARE FEET



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## **EXHIBIT B**

### **SCOPE OF WORK**



SERVICE PARTNERS  
VT - VIRGINIA CENTER  
1029 TECHNOLOGY PARK DRIVE / GLEN ALLEN, VA 23059

SCOPE OF WORK  
January 31, 2013

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**FIRST POTOMAC**  
REALTY TRUST

**VIRGINIA CENTER TECHNOLOGY ONE**  
1029 TECHNOLOGY PARK DR  
GLEN ALLEN, VA 23059

Reference the attached approved space plan dated JANUARY 2, 2013.

#### DEMOLITION

- Building demolition as required by the approved space plan and or In accordance with this Scope of Work.
- Remove all insulation above ceiling completely.

#### MILLWORK

- Existing base and wall cabinets to remain as noted on the referenced Space Plan.
- All new millwork to be building standard, laminate, ADA compliant, with doors and drawers, adjustable shelves, and brushed chrome 4" wire pulls.
- Base and wall cabinets with countertop at Break Room, Conference Room & Computer Lab colors to be selected by TENANT.
- One (1) 3/4" fire treated 4'x8' sheet of plywood (stamp facing out-unpainted) mounted horizontally on one wall in the Telecom/Network Server Room.

#### DOORS/FRAMES/HARDWARE

- Doors and frames are to remain unless noted otherwise on the approved space plan.
- New suite entry doors, frames, and sidelites to match existing building standard in accordance with the approved space plan.
- Install borrowed light to measure 2'-tall X 3'-wide in KD-HMF material. Units to be Installed starting at 6-1/2' AFF. Install as many units as feasible in the wall with the door to the following rooms: 102, 103, 119 & 120.
- New building standard Interior doors and frames as required and in accordance with the approved space plan.
- New building standard ADA lever hardware sets at all door locations unless noted otherwise. Locking cylinders on office doors, Telecom/Network Server room, and electrical rooms ONLY.

#### PARTITIONS

- Existing partitions are to remain unless otherwise noted on the approved space plan.
- Whether existing or new, tenant separation partitions are to be slab to slab with insulation.
- New building standard slab to ceiling grid partitions to be provided throughout in accordance with the approved space plan unless noted otherwise.
- All new and existing walls are to be insulated.

#### CEILING

- Existing ceiling grid and tile to remain unless otherwise noted on the approved space plan. Broken or stained ceiling grid and tile to be repaired or replaced.
- New building standard ceiling grid and tile to be provided as required throughout.

7600 Wisconsin Avenue, 11th Floor, Bethesda, MD 20814

tel 301.986.9200

fax 301.986.6554

www.first-potomac.com

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#### FLOORING

- New building standard Milliken carpet tile, 36"X36" throughout unless noted otherwise, color to be selected by TENANT.
- New vinyl composition tile (VCT) at Break Room, color to be selected by TENANT.
- Provide new building standard vinyl base throughout, color to be selected by TENANT.
- New building standard hard tile in all Bathrooms. Tile on floors and wet walls only. All colors are to be selected by TENANT.

#### WALL FINISHES

- Two (2) new coats of latex paint on all drywall surfaces throughout unless noted otherwise, color to be selected by TENANT. One (1) accent paint color permitted.
- Two (2) new coats of semi-gloss alkyd enamel paint on all door frames (and exposed metal), color to be selected by TENANT.

#### WINDOW TREATMENTS

- Provide all new building standard window treatments, properly sized, at all exterior window openings.

#### PLUMBING

- New plumbing fixtures in all Bathrooms, Break Room, Training Room and Mop Sink Installed as required by code.
- New ADA dishwasher and all associated plumbing in the Break Room.
- Water line(s) for one (1) refrigerator icemaker and one (1) coffee maker at break room.
- Water line(s) for one (1) coffee maker at each coffee station(s).
- Water line and floor drain for Tenant supplied floor mounted ice maker.
- New building standard water heater.
- All bathroom(s) to be ADA compliant as required by code including proper number of fixtures.

#### HVAC

- HVAC in accordance with the local performance specifications:
- Building standard supply air diffusers and return air diffusers as required, minimum of one (1) supply air diffuser and one (1) return air diffuser per room.
- Air filters to be cleaned/replaced at time of occupancy.
- Air balance report provided when complete to ensure even comfort throughout the leased premises.
- New building standard bathroom exhaust fans in each Bathroom.

#### FIRE PROTECTION SYSTEM

- Building standard fire protection system as required by NFPA and code.

#### ELECTRICAL SERVICE

- All wiring to be installed and provided as required by code.

#### FIRE ALARM SYSTEM

- Building standard fire alarm system as required by code.

#### WIRING DEVICES

- Building standard light switches, minimum one (1) per room, unless noted otherwise. Three-way light switches for rooms with more than one entrance.

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- Building standard electrical receptacles, minimum three (3) duplex per room unless noted otherwise or on the approved space plan. Surge suppressed or isolated ground receptacles are not provided.
- One (1) 20A dedicated electrical receptacle for each copier.
- Two (2) 20A dedicated isolated ground quad electrical receptacles in telephone/network server room.
- Power to support the systems furniture electrical configuration.
- TV mount to include; clock-type electrical outlet, Tel/Co box and blocking for wall mounting in the following locations: 101, 102, 103 & 122.
- Install floor boxes in the following locations:
  - 101 — 12 boxes total
  - 102 — 1 box total
  - 103 — 1 box total
- Install outlet Wiremold at the back wall of the casework in 126. Assume there will be 3-sections, 5-feet long with each section on a dedicated circuit.
- Assume there will be 2-Refrigerators in the Kitchen so 2-Dedicated outlets will be required for these units.

#### LIGHTING FIXTURES

- All new building standard 2'x4', direct/indirect, center diffuser, fluorescent light fixtures, minimum one (1) per 80 square feet of leased premises unless noted otherwise.
- All lights are to be controlled by ceiling mounted motion sensors. Sensors are to be Hubbell, Non Adaptive Technology, Dual Technology, Line Voltage model #LVDT2000R120 or #LVPT2000R277 (depending on Voltage). Ensure appropriate unit, relays and contactors as required for larger open areas.
- Training Room 101 is to have a motion sensor in addition to 3-light switches as follows: 1-lightswitch to control the first (and/or second) row of lights in the plan South location. Switches 2 & 3 are to control every other row of lights running plan East to West for control in this area.
- Conference Rooms: 102, 103, 106, 116, 120 & 122 are to have 2-lights switches total and be tied into the motion sensors so lights will go off if not in use.

#### TELECOMMUNICATIONS

- Provide minimum one (1) telephone/data ring & string per office/room in accordance with the approved space plan unless noted otherwise.

#### SPECIALTIES

- All Bathrooms are to receive new, Stainless Steel toilet partitions throughout.
- All Bathrooms, Kitchen 115 and the Training Room 101 are to receive new, Santa Cecilia (or equal) granite countertops with under mount sinks.
- Furnish & install 4' tall corner guards on all outside corners. Color to match walls and be approved by Tenant.

#### GENERAL

- All permits (Including occupancy), review fees, Inspection fees, or other municipal fees are the responsibility of FIRST POTOMAC.
- Cleaning prior to TENANT occupancy.

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#### EXCLUDED

- TENANT to provide ALL fixtures, furnishings, and equipment including but not limited to furniture, custom built-ins, computers, computer wiring, appliances, refrigerator(s), microwave(s), projector(s), projection screen(s), A/V equipment, lockers, telephone(s), telephone systems, telephone wiring, network server(s), network wiring, and security system and wiring.

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### EXHIBIT C

#### DECLARATION

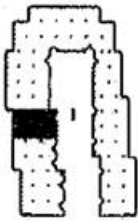
THIS DECLARATION is attached to and made a part of that certain Sixth Amendment to Lease dated the      day of      , 2013, ("Sixth Amendment") by and between **Virginia FP Virginia Center, LLC, a/k/a Virginia Center, LLC**, a Virginia limited liability company ("Landlord") and **Service Partners, LLC**, a Virginia limited liability company ("Tenant") for premises known as 1029 Technology Park Drive, Glen Allen, Virginia 23059 ("Premises").

Landlord and Tenant do hereby declare that (a) the End Date is hereby established to be      , 20      ; and (b) the Extension Term Expiration Date is hereby established to be      , 20      unless the Lease is earlier terminated as may be provided therein. During the Extension Term, Tenant shall pay Base Rent in the amounts set forth in the following schedule:

Time Period	Per Square Foot Rate		Annual Rent		Monthly Rent	
3/1/13 –	\$	11.75		N/A	\$	17,145.21
–	\$	11.25	\$	196,987.50	\$	16,415.63
–	\$	11.48	\$	201,014.80	\$	16,751.23
–	\$	11.71	\$	205,042.10	\$	17,086.84



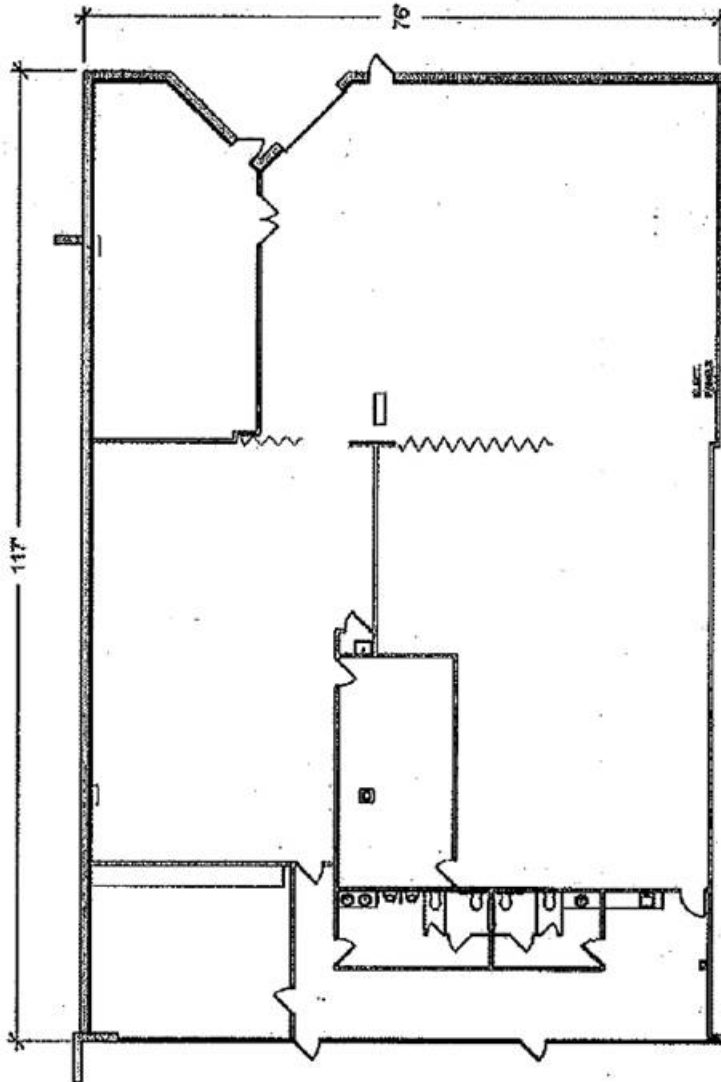




**BUILDING KEY PLAN**  
 ■■■■ = FIELD VERIFIED

AREA

1,456 SQFT - OFFICE  
 7,222 SQFT - WAREHOUSE  
 8,688 TOTAL SQUARE FEET



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**VIRGINIA CENTER TECHNOLOGY ONE**  
 TECHNOLOGY PARK DRIVE  
 GLEN ALLEN, VA 23060

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**Exhibit 99.1**

**(Subject to Completion, Dated April 10, 2015)**

Masco Corporation  
21001 Van Born Road  
Taylor, Michigan 48180

[     ], 2015

Dear Stockholder:

As you know, on September 30, 2014, Masco Corporation ("Masco") announced the separation of its Installation and Other Services businesses (the "Services Business") from its remaining businesses, which is expected to become effective on [     ], 2015. On the effective date of the separation, TopBuild Corp. ("TopBuild"), a Delaware corporation formed in anticipation of the separation, will become an independent public company and will hold, through its subsidiaries, the assets and liabilities associated with Masco's Services Business.

The separation is subject to conditions as described in the enclosed information statement. Subject to the satisfaction or waiver of these conditions, the separation will be completed by way of a pro rata distribution of all the outstanding shares of TopBuild common stock to Masco's stockholders of record as of 5:00 p.m. Eastern time, on [     ], 2015, the distribution record date. Each Masco stockholder of record will receive one share of TopBuild common stock for every [     ] shares of Masco common stock held by such stockholder on the record date. The distribution of these shares will be made in book-entry form, which means that no physical share certificates will be issued. Following the distribution, stockholders may request that their shares of TopBuild common stock be transferred to a brokerage or other account at any time. No fractional shares of TopBuild common stock will be issued. The distribution agent for the distribution will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing prices and distribute the net cash proceeds from the sales pro rata to each holder who would otherwise have been entitled to receive a fractional share in the distribution.

Masco expects to obtain an opinion from Davis Polk & Wardwell LLP to the effect that, for U.S. federal income tax purposes, the distribution of the TopBuild common stock will be tax-free to Masco and to you, except to the extent of any cash you may receive in lieu of fractional shares.

The distribution does not require stockholder approval, nor do you need to take any action to receive your shares of TopBuild common stock. Masco's common stock will continue to trade on the NYSE under the ticker symbol "MAS." TopBuild expects to apply to have its shares of common stock listed on the NYSE under the ticker symbol "BLD."

I encourage you to read the enclosed information statement, which is being provided to all of the stockholders of Masco. It describes the separation in detail and contains important business and financial information about TopBuild.

Sincerely,

Keith Allman  
*President and Chief Executive Officer*

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Preliminary and Subject to Completion, Dated April 10, 2015

INFORMATION STATEMENT

**TopBuild Corp.**



**Common Stock  
(Par Value \$1.00 Per Share)**

Masco Corporation ("Masco") is furnishing this information statement in connection with the separation of its Installation and Other Services businesses (the "Services Business") from Masco and the creation of an independent, publicly traded company, named TopBuild Corp. ("TopBuild"), which will hold the assets and liabilities of the Services Business through its subsidiaries immediately following the distribution of all of the shares of TopBuild common stock owned by Masco to the stockholders of Masco (the "Separation"). TopBuild is currently a wholly owned subsidiary of Masco.

To implement the Separation, Masco will distribute the shares of TopBuild common stock on a pro rata basis to the holders of Masco common stock. Each holder of Masco common stock will receive one share of common stock of TopBuild for every [     ] shares of Masco common stock held at 5:00 p.m. Eastern time on [     ], 2015, the record date for the distribution.

The distribution of TopBuild's shares is expected to be completed after the New York Stock Exchange ("NYSE") market closing on [     ], 2015. Immediately after Masco completes the distribution, TopBuild will be an independent, publicly traded company. We expect that, for U.S. federal income tax purposes, no gain or loss will be recognized by you, and no amount will be included in your income in connection with the distribution, except to the extent of any cash you receive in lieu of fractional shares.

**No vote or other action is required by you to receive shares of TopBuild common stock in the Separation. You will not be required to pay anything for the new shares or to surrender any of your shares of Masco common stock. We are not asking you for a proxy and you are requested not to send us a proxy or your share certificates.**

There currently is no trading market for TopBuild common stock. We expect to apply to have TopBuild's shares of common stock listed on the NYSE under the symbol "BLD." We anticipate that a limited market, commonly known as a "when-issued" trading market, for TopBuild's common stock will commence on [     ], 2015 and will continue up to and including the distribution date. We expect the "regular-way" trading of TopBuild's common stock will begin on the first trading day following the distribution date.

**In reviewing this Information Statement, you should carefully consider the matters described under the caption "Risk Factors" beginning on page 12.**

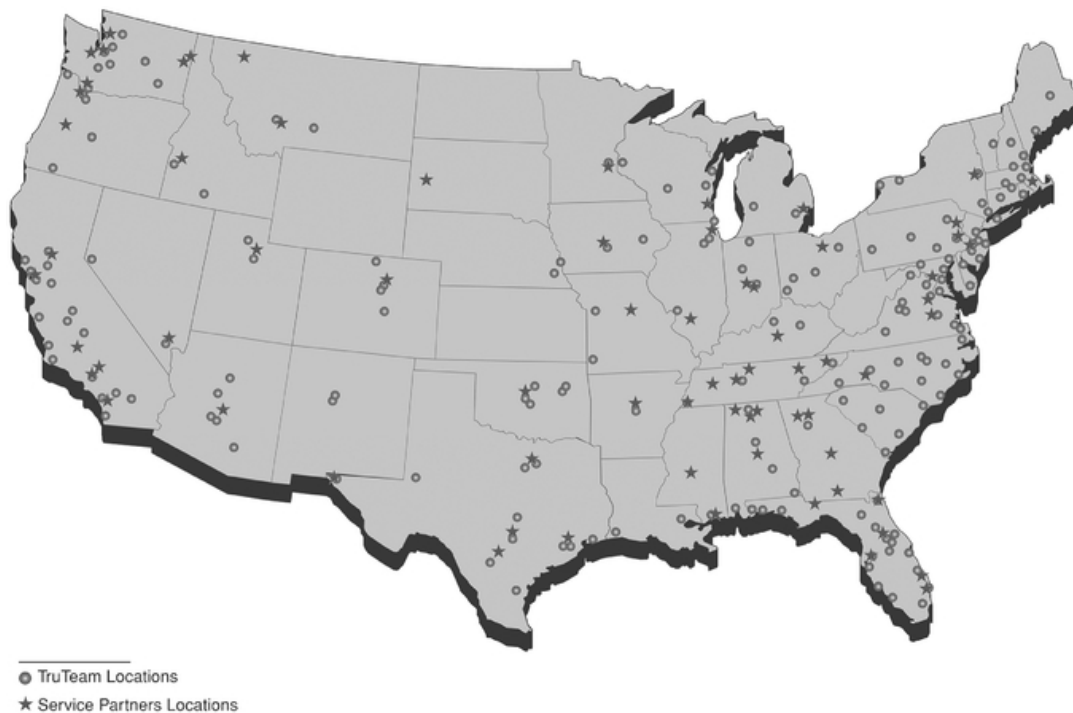
Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this information statement is truthful or complete. Any representation to the contrary is a criminal offense.

This information statement does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The date of this information statement is [     ], 2015.

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As of December 31, 2014, our TruTeam Contractor Services business had over 190 installation branches and our Service Partners business had 72 distribution centers, in locations shown on the following map:



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## NOTE REGARDING THE USE OF CERTAIN TERMS

We use the following terms to refer to the items indicated:

- "We," "us," "our," "Company" and "TopBuild," unless the context requires otherwise, refer to TopBuild Corp., the entity that at the time of the distribution will hold, through its subsidiaries, the assets and liabilities associated with Masco's Services Business, as described below, and whose shares Masco Corporation will distribute in connection with the Separation, as defined below. Where appropriate in context, the foregoing terms also include the subsidiaries of this entity; the use of these terms may be used to describe Masco's Services Business prior to completion of the Separation.
- "Services Business" refers to Masco's businesses comprising its Installation and Other Services segment, as reported in Masco's periodic reports filed with the Securities and Exchange Commission (the "SEC"), that distribute and install building products primarily for residential new construction, residential repair/remodel and commercial construction, throughout the United States. The assets and liabilities of the Services Business relate to a nationwide network of branches and distribution centers, as well as its customer and supplier relationships. See "Business" for more information.
- Masco's Services Business provides insulation and other building products installation services through TruTeam Contractor Services, which is referred to as "Contractor Services" in this Information Statement, and distributes insulation products to the United States construction industry through Service Partners, which is referred to as "Services Partners" in this Information Statement. See "Business" for more information.
- Except where the context otherwise requires, the terms "Masco" and "Parent Company" refer to Masco Corporation, the entity that owns TopBuild prior to the Separation.
- Except where the context otherwise requires, the term "Separation" refers to the separation of the Services Business from Masco Corporation and the creation of an independent, publicly traded company, TopBuild, which will hold the assets and liabilities of the Services Business immediately following the distribution of all of the shares of TopBuild common stock owned by Masco to Masco's stockholders.
- The term "distribution date" means the date on which the distribution relating to the Separation occurs.

This Information Statement includes trademarks of Masco Corporation, TopBuild and other persons. All trademarks or trade names referred to in this Information Statement are the property of their respective owners.

## SUMMARY

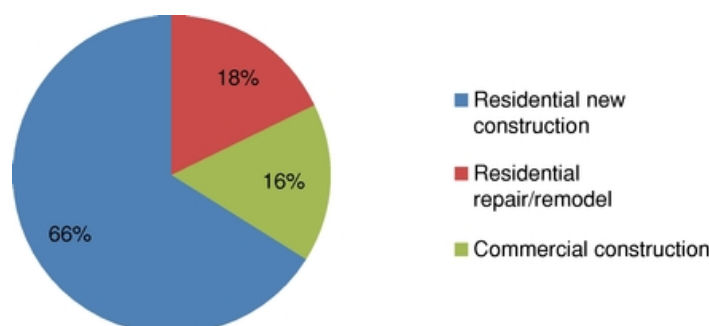
*This summary highlights information contained elsewhere in this Information Statement. This summary does not contain all of the information that you should consider. You should read this entire Information Statement carefully, especially the risks of owning our common stock discussed under "Risk Factors," and our audited historical combined financial statements and the notes to those statements appearing elsewhere in this Information Statement.*

*Except as otherwise indicated or unless the context otherwise requires, the information included in this Information Statement assumes the completion of all the transactions referred to in this Information Statement in connection with the Separation.*

### Our Company

We are the leading installer and distributor of insulation products to the United States construction industry, based on revenue. We provide insulation installation services nationwide through our TruTeam Contractor Services business, which has over 190 installation branches located in 43 states. We distribute insulation nationwide through our Service Partners business from our 72 distribution centers located in 35 states. Our installation and distribution business segments represented 64% and 36%, respectively, of our net sales of \$1.5 billion for the year ended December 31, 2014. Our installation and distribution segments serve three lines of business: residential new construction, residential repair/remodel and commercial construction. In addition to insulation products, we also install or distribute other building products, including rain gutters, garage doors, fireplaces, shower enclosures, closet shelving and roofing. Further, we are a leader in building science through, among other things, our Environments For Living® program and our residential home energy rating services.

2014 Net Sales by Line of Business



We believe we are well positioned to organically grow our businesses. Our national scale enables us to drive supply chain efficiencies and provide the tools necessary for our branches and distribution centers to effectively compete locally. Given the highly fragmented homebuilding industry, our leadership position in installation, distribution and building science services allows us to tailor our approach to each local market, which differs in characteristics such as customer mix, competitive activity, building codes and labor availability. Moreover, serving three lines of business provides additional revenue growth potential with which to leverage our fixed cost and reduces our exposure to the cyclical swings in residential new construction.

**Installation.** We provide installation services nationwide through our Contractor Services business and our over 190 branches located in 43 states. We handle every stage of the installation process, including material procurement, project scheduling and logistics, multi-phase professional installation and installation quality assurance. Our branch locations across the United States are each characterized

by our hiring standards and highly trained workforce, our centralized back-office systems and sharing of national best practices. We believe these characteristics give each branch a competitive advantage in the local geographic area in which it competes.

Across our branch locations, we employ over 4,600 professionally trained installers who have passed our stringent employment requirements. Our installers receive ongoing training and development to generate best-in-class work quality to manufacturers' guidelines and local building codes while performing their work safely. Recruiting and human resource professionals aid our branch managers in attracting, hiring and retaining installers, and we are able to share best practices across our locations.

*Distribution.* Service Partners distributes insulation and other building products nationwide through our 72 distribution centers located in 35 states. Our distribution business employs approximately 775 employees.

We utilize a variety of shipping methods for both inbound and outbound logistics, including company trucks, common carrier, "Less-than-Truckload" ("LTL") carrier and small parcel freight, based upon the product and quantities being shipped and customer delivery requirements.

We believe that we have managed our business successfully through economic cycles and out of the recent recessionary period. Going forward, we believe that our broad geographic footprint reduces our exposure to cyclical swings in any particular local market. In addition, our distribution business model and our diversification into residential repair/remodel and commercial construction reduces our exposure to cyclical swings in the residential new construction market.

*TopBuild.* We were incorporated in Delaware in February 2015 as Masco SpinCo Corp. We changed our name to TopBuild Corp. on March 20, 2015. Our headquarters will be located at 260 Jimmy Ann Drive, Daytona Beach, Florida 32114, and our general telephone number is (386) 304-2200. Our Internet website is [www.topbuild.com](http://www.topbuild.com). Our website and the information contained on that site, or connected to that site, are not incorporated by reference into this Information Statement. We intend to apply to list our common stock on the NYSE under the symbol "BLD."

Elsewhere in this Information Statement we provide a more detailed description of the Services Business that will be separated from Masco's other businesses. Following the Separation, TopBuild will be an independent, publicly traded company. Masco will not retain any ownership interest in TopBuild. In connection with the Separation, Masco and TopBuild will enter into a number of agreements that will govern the relationship between Masco and TopBuild following the Separation. See "The Separation" included elsewhere in this Information Statement.

Our business is subject to various risks. For a description of these risks, see "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Information Statement.

### **Competitive Advantage**

*National scale.* Our Contractor Services business has a network of over 190 installation branches located in 43 states and our Service Partners business has 72 distribution centers located in 35 states. With these two national footprints, we provide products and services to each major construction line of business in the United States. Our national scale, together with our centralized TopBuild executive management team, allows us to compete locally by:

- providing national and regional builders with broad geographic reach, while maintaining consistent policies and practices that enable reliable, high-quality products and services across many geographies and building sites;



- establishing strong ties to major manufacturers of insulation and other building products that help ensure we are buying competitively, have availability of supply to our local branches and distribution centers and are driving efficiencies throughout our supply chain;
- providing consistent, customized support and geographic coverage to our customers;
- maintaining an operating capacity that allows us to ramp-up rapidly, without major incremental investment, to target forecasted growth in housing starts and construction activity in each of our lines of business anywhere in the United States; and
- leveraging investments in systems and processes and sharing best practices across both our installation and distribution businesses.

**Two avenues to reach the builder.** We believe that having both an installation and distribution business provides a number of advantages to reaching our customers and driving share gains. Our Contractor Services customer base includes builders of all sizes. Our branches go to market with the local brands that small builders recognize and value, and our national footprint is appealing to the large builders who value consistency across a broad geography. Our Service Partners distribution business focuses on selling to small contractors who are particularly adept at cultivating the local relationships with small custom builders. Being a leader in both installation and distribution allows us to more effectively reach a broader set of builder customers, regardless of their size or geographic location within the United States, and leverage housing growth wherever it occurs.

**Diversified lines of business.** In response to the housing downturn, we enhanced our ability to serve the residential repair/remodel and commercial construction lines of business, which comprised approximately 18% and 16%, respectively, of our net sales for the year ended December 31, 2014. Although the residential repair/remodel and commercial construction lines of business are affected by many of the same macroeconomic and local economic factors that drive residential new construction, residential repair/remodel and commercial construction have historically followed different cycles than residential new construction. We have thus positioned our business to benefit from a greater mix of residential repair/remodel activity and commercial construction activity than we have historically, which helps reduce volatility because we are less dependent on residential new construction, and also enables us to better respond to changes in customer demand.

**Expertise in building science.** In addition to our core product and service expertise, we are a leader in building science. Through our Home Services subsidiary and our Environments For Living® program, we offer a number of services and tools designed to assist builders in applying the principles of building science to new home construction, including pre-construction plan reviews that use industry-standard home-energy analysis software, various inspection services and diagnostic testing utilizing industry-standard authentication tools. We help our builder customers build high-performance homes that are more energy-efficient and comfortable than conventional, code-built homes. Our Home Services subsidiary is, we believe, one of the largest Home Energy Rating System Index (HERS Index) raters in the U.S. and was honored by the Environmental Protection Agency and Department of Energy as an ENERGY STAR Partner of the Year for 2014. In a time of heightened focus on energy efficiency and trends in the adoption of more stringent and complex building codes by states and municipalities, we believe our expertise in building science facilitates relationships with our builder customers and helps them offer more energy-efficient homes to their customers, which we believe will help us drive share gains.

**Strong local presence.** Competition for the installation and sale of insulation and other building products to builders occurs in localized geographic markets throughout the country. Builders in each local market have different options in terms of choosing among insulation installers and distributors for their projects, and value local relationships, quality and timeliness. Our over 190 Contractor Services branches are locally branded businesses that are recognized within the communities in which they

operate. Our 72 Service Partners distribution centers service primarily local contractors, lumberyards, retail stores and others who, in turn, service local homebuilders and other customers. Our branch- and distribution center-based operating model, in which individual branches and distribution centers maintain local customer relationships, enables us to develop local, long-tenured relationships with these customers, build local reputations for quality, service and timeliness and provide specialized products and personalized services tailored to a geographic region. At the same time, our local operations benefit from centralized functions such as information technology, credit and purchasing, and the resources and scale efficiencies of an installation and distribution business that has a presence across the United States.

**Reduced exposure to residential housing cyclicality.** During industry downturns, many insulation contractors who buy directly from manufacturers during industry peaks return to purchasing through distributors for small, LTL shipments, reduced warehousing needs, and access to purchases on credit. This drives incremental customers to Service Partners during these points in the business cycle. As a result, our leadership position in both installation and distribution helps to reduce exposure to cyclical swings in our lines of business.

**Strong Management Team.** Our executive management team has extensive experience serving the U.S. construction and building products markets. The average tenure of our executive management team nears 20 years with us or our predecessor companies.

**Strong cash flow, low capital investment and favorable working capital fund organic growth.** Over the last several years, we have reduced fixed costs. As a result, we can achieve profitability at lower levels of demand as compared to historical periods. Cash flows from (used by) operating activities have grown from \$(101.9) million in 2012 to \$24.7 million in 2013 to \$71.9 million in 2014. In addition, we anticipate that our future organic growth will require capital investment of less than 1% of sales, and we do not expect post-Separation working capital requirements to grow significantly. Accordingly, we believe we are well positioned to self-fund future organic growth.

## **Our Strategy**

**Capitalize on the U.S. housing market recovery through focus on organic growth.** We intend to utilize our scale in both installation and distribution and the diversification of our lines of business to capitalize on the expected continuing recovery in the construction market. We plan to continue to grow our business organically by investing in our infrastructure and existing labor force and by adding talented new members to our labor force, particularly installers. We will focus on expanding our customer base and attracting new customers through our strong local brands, sales force, reputation and national scale. We also intend to deploy our resources to penetrate underrepresented territories where we have the opportunity to increase our market share. When appropriate, we may supplement our organic growth by considering strategic opportunistic acquisitions. We believe that our capital structure positions us to acquire businesses we find attractive.

**Gain share in commercial construction.** In response to the housing downturn, we expanded our ability to serve the commercial construction line of business. We intend to focus on growing our commercial construction line of business by building out our commercial operations and sales capacity in a majority of our locations and building our expertise and reputation for quality service for both light and heavy commercial construction projects. We are also developing relationships with commercial general contractors, focusing initially on several of our branches located in larger metropolitan areas which specialize in commercial construction.

**Continue to leverage our expertise in building science to benefit from the increasing focus on energy efficiency and trends in building codes.** For the past several years, consumers' interest in residential energy efficiency has increased both because of concerns for the environment and volatility in energy

costs. In addition, new building codes have established higher energy efficiency requirements on new construction. We plan to continue our focus on developing practices that increase residential and commercial energy efficiency and leverage our expertise and reputation as a leader in building science to benefit each of our lines of business. Our Home Services subsidiary is, we believe, one of the largest Home Energy Rating System Index (HERS Index) raters in the United States and was honored by the Environmental Protection Agency and Department of Energy as an ENERGY STAR Partner of the Year for 2014.

## The Separation

### *Overview*

In September 2014, the Masco board of directors approved a plan to distribute to its stockholders all of the shares of common stock of TopBuild through the Separation. TopBuild is currently a wholly owned subsidiary of Masco and at the time of the distribution relating to the Separation will hold, through its subsidiaries, the assets and liabilities associated with Masco's Services Business. On [     ], 2015, the Masco board of directors approved the Separation, which will be achieved through the distribution of 100% of the outstanding capital stock of TopBuild pro rata to holders of Masco common stock on the record date of [     ], 2015. Masco holders of record will receive one share of TopBuild common stock for every [     ] shares of Masco common stock. The Separation is expected to be completed on [     ], 2015. Immediately following the Separation, Masco stockholders as of the record date will own 100% of the outstanding shares of common stock of TopBuild. Following the Separation, TopBuild will be an independent, publicly traded company, and Masco will retain no ownership interest in TopBuild.

Before the distribution, we will enter into a Separation and Distribution Agreement and several other agreements with Masco to effect the Separation and provide a framework for our relationship with Masco after the Separation. These agreements will provide for the allocation between TopBuild and Masco of Masco's assets, liabilities and obligations subsequent to the Separation (including with respect to transition services, employee matters, tax matters and certain other matters). TopBuild and Masco will also enter into a Transition Services Agreement which will provide for various corporate services.

The Masco board of directors believes separating our business from Masco's other businesses is in the best interests of Masco and its stockholders and has concluded the Separation will provide Masco and TopBuild with a number of opportunities and benefits, including the following:

- **Strategic and Management Focus.** Permit the management team of each company to focus on its own strategic priorities with financial targets that best fit its own business and opportunities. We believe the Separation will enable each company's management team to better position its business to capitalize on developing trends in its business, increase managerial focus to pursue its individual strategies and leverage its key strengths to drive performance. The management of each resulting company will be able to concentrate on its core concerns and growth opportunities, and will have increased flexibility to design and implement corporate policies and strategies based on the characteristics of its business.
- **Investor Choice.** Provide investors, both current and prospective, with the ability to value the two companies based on their distinct business characteristics and make more targeted investment decisions based on those characteristics. Separating the two businesses will provide investors with a more targeted investment opportunity. As a result, the Separation may result in a combined post-Separation trading value in excess of the current trading value of Masco.
- **Resource Allocation and Capital Deployment.** Allow each company to allocate resources and deploy capital in a manner consistent with its own priorities. Our businesses' end customers and

operating characteristics differ from Masco's other businesses, resulting in a distinct business model, competitive position and available growth opportunities. The Separation will enable each company's management team to implement a capital structure, dividend policy and growth strategy tailored to each unique business. Both businesses are expected to have direct access to the debt and equity capital markets to fund their respective growth strategies.

## **Risk Factors**

*We are subject to a number of risks, including risks related to the Separation, distribution and other related transactions. The following list of risk factors is not exhaustive. Please read "Risk Factors" carefully for a more thorough description of these and other risks.*

### ***Risks Relating to the Separation***

- We may not realize the anticipated benefits from the Separation, and our historical combined and pro forma financial information is not necessarily indicative of our future prospects.
- We have no history operating as an independent public company. We will incur significant costs to create the corporate infrastructure necessary to operate as an independent public company.
- The obligations associated with being a public company will require significant resources and management attention.
- Until the Separation occurs, Masco has sole discretion to change the terms of the distribution in ways that may be unfavorable to us.
- In connection with the Separation, Masco will indemnify us for certain liabilities and we will indemnify Masco for certain liabilities. If we are required to act under these indemnities to Masco, we may need to divert cash to meet those obligations, which could adversely affect our financial results. Moreover, the Masco indemnity may not be sufficient to insure us against the full amount of liabilities for which it will be allocated responsibility, and Masco may not be able to satisfy its indemnification obligations to us in the future.
- After the Separation, Masco's insurers may deny coverage to us for losses associated with occurrences prior to the Separation, and we will no longer be covered under Masco's corporate-wide insurance policies or performance, surety and other bonds. Furthermore, there can be no assurance that we will be able to obtain insurance coverage or performance, surety and other bonds following the Separation on terms that justify their purchase, and any such insurance coverage or performance, surety and other bonds may not be adequate to offset costs associated with certain events.
- If the Separation, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, Masco and holders of Masco common stock could be subject to significant tax liability.
- We may be affected by significant restrictions following the Separation in order to avoid triggering significant tax-related liabilities.

### ***Risks Relating to Our Business***

- Our business relies on residential new construction activity, and to a lesser extent on residential repair/remodel and commercial construction activity, all of which are cyclical and not fully recovered from the housing crisis.

- We are dependent on third-party suppliers and manufacturers providing us with an adequate supply of high quality products, and the loss of a key supplier or manufacturer could negatively affect our operating results.
- The long-term performance of our businesses relies on our ability to attract, develop and retain talented personnel and our sales and labor force, including sales representatives, branch managers, installers and truck drivers, while controlling our labor costs.
- Because we operate our business through highly dispersed locations across the United States, our operations may be materially adversely affected by inconsistent practices and the operating results of individual branches may vary.
- Our profit margins could decrease due to changes in the costs of the products we install and/or distribute.
- We face significant competition.
- Our business is seasonal and is susceptible to adverse weather conditions and natural disasters.
- Claims and litigation could be costly.
- We may have future capital needs and may not be able to obtain additional financing on acceptable terms.
- We may not be able to identify new products and new product lines and integrate them into our distribution network, which may impact our ability to compete; our expansion into new markets may present competitive, distribution and regulatory challenges that differ from current ones.

***Risks Relating to Our Common Stock***

- Because there has not been any public market for our common stock, the market price and trading volume of our common stock may be volatile and you may not be able to resell your shares at or above the initial market price of our common stock following the Separation.
- A large number of our shares are or will be eligible for future sale, which may cause the market price for our common stock to decline.
- Because we do not expect our common stock will be included in the Standard & Poor's 500 Index, and it may not be included in other stock indices, significant amounts of our common stock will likely need to be sold in the open market where they may not meet with offsetting new demand.
- Provisions in our certificate of incorporation and Bylaws and certain provisions of Delaware law could delay or prevent a change in control of us.
- We do not expect to declare any dividends in the foreseeable future.

## QUESTIONS AND ANSWERS ABOUT THE SEPARATION

*Please see "The Separation" for a more detailed description of the matters summarized below.*

*Q: Why am I receiving this document?*

A: You are receiving this document because you were a holder of shares of Masco common stock on the record date for the Separation and, as such, will be entitled to receive shares of TopBuild common stock upon completion of the transactions described in this Information Statement. We are sending you this document to inform you about the Separation and to provide you with information about TopBuild and its business and operations upon completion of the transaction.

*Q: What do I have to do to participate in the Separation?*

A: Nothing. You will not be required to pay any cash or deliver any other consideration in order to receive the shares of TopBuild common stock that you will be entitled to receive upon completion of the Separation. In addition, you are not being asked to provide a proxy with respect to any of your shares of Masco common stock in connection with the Separation and you should not send us a proxy.

*Q: Why is Masco separating its Services Business from its other businesses?*

A: The Masco board of directors and management believe separating its Services Business will have the following benefits: it will enable (1) the management team of each company to focus on its own strategic priorities with financial targets that best fit its own business and opportunities; (2) investors, both current and prospective, to value the two companies based on their distinct business characteristics and make more targeted investment decisions based on those characteristics; and (3) each company to allocate resources and deploy capital in a manner consistent with its own priorities.

*Q: What is TopBuild?*

A: TopBuild is a newly formed entity that will house Masco's Services Business and be publicly traded following the Separation.

*Q: Who will manage TopBuild after the Separation?*

A: TopBuild benefits from having in place a management team with an extensive background in the Services Business. Led by Gerald Volas, who will be TopBuild's Chief Executive Officer after the Separation, TopBuild's management team possesses deep industry knowledge and extensive industry experience. TopBuild's management team includes Robert M. Buck and John S. Peterson, who hold senior positions of responsibility within the Services Business at Masco. For more information regarding TopBuild's management, see "Management."

*Q: Will TopBuild incur any debt prior to or at the time of the Separation?*

A: Yes. We are currently in discussions with a syndicate of banks relating to a credit facility of \$100 million to \$150 million to be entered into concurrently with our Separation from Masco. Additionally, we expect to borrow approximately \$200 million under a bank term loan to fund a cash distribution we anticipate paying to Masco on the Separation date. See "The Separation—Incurrence of Debt."

Following the Separation, our debt obligations could restrict our business and may adversely impact our financial condition, results of operations or cash flows. In addition, our Separation from Masco's other businesses may increase the overall cost of debt funding and decrease the

overall debt capacity and commercial credit available to our business. Also, our business, financial condition, results of operations and cash flows could be harmed by a deterioration of our credit profile or by factors adversely affecting the credit markets generally. See "Risk Factors—Risks Relating to the Separation."

*Q: How will Masco accomplish the Separation of TopBuild?*

A: The Separation involves Masco's distribution to its stockholders of all the shares of TopBuild's common stock. Following this distribution, TopBuild will be a publicly traded company independent from Masco, and Masco will not retain any ownership interest in TopBuild.

*Q: What will I receive in the distribution?*

A: At the effective time of the distribution, you will be entitled to receive one share of TopBuild common stock in respect of every [     ] shares of Masco common stock held by you on the record date.

*Q: How does my ownership in Masco change as a result of the Separation?*

A: Your ownership of Masco stock will not be affected by the Separation.

*Q: What is the record date for the distribution?*

A: The record date is [     ], 2015, and ownership will be determined as of 5:00 p.m., Eastern Time, on that date. When we refer to the record date in this information statement, we are referring to that time and date.

*Q: When will the distribution occur?*

A: The distribution is expected to occur on [     ], 2015.

*Q: How will shares of TopBuild be distributed to me?*

A: At the effective time, we will instruct our transfer agent and distribution agent to make book-entry credits for the shares of TopBuild common stock that you are entitled to receive. Since shares of TopBuild common stock will be in uncertificated book-entry form, you will receive share ownership statements in place of physical share certificates.

*Q: What if I hold my shares through a broker, bank or other nominee?*

A: Masco stockholders who hold their shares through a broker, bank or other nominee will have their brokerage account credited with TopBuild common stock. For additional information, those stockholders should contact their broker or bank directly.

*Q: Why is no stockholder vote required to approve the Separation and its material terms?*

A: Masco is incorporated in Delaware. Delaware law does not require a stockholder vote to approve the Separation because the Separation does not constitute a sale, lease or exchange of all or substantially all of the assets of Masco.

*Q: How will fractional shares be treated?*

A: You will not receive fractional shares of TopBuild common stock in the Separation. The distribution agent will aggregate and sell on the open market the fractional shares of TopBuild common stock that would otherwise be issued in the Separation, and if you would otherwise be

entitled to receive a fractional share of TopBuild common stock in connection with the Separation, you will instead receive the net cash proceeds of the sale attributable to such fractional share.

*Q: What are the U.S. federal income tax consequences to me of the Separation?*

A: The Separation is conditioned upon the receipt by Masco of an opinion of counsel to the effect that the Separation will qualify under the Internal Revenue Code of 1986, as amended (the "Code"), as a transaction that is tax-free both to Masco and to its stockholders. On the basis that the Separation so qualifies, for U.S. federal income tax purposes, you will not recognize any gain or loss, and no amount will be included in your income in connection with the Separation, except with respect to any cash received in lieu of fractional shares. See "The Separation—Material U.S. Federal Income Tax Consequences of the Separation."

*Q: How will Masco's common stock and TopBuild's common stock trade?*

A: There is currently no public market for TopBuild common stock. We expect to apply to have TopBuild's shares of common stock listed on the NYSE under the symbol "BLD." Masco common stock will continue to trade on the NYSE under the symbol "MAS."

*Q: What are the conditions to the distribution that must be satisfied for the Separation to take place?*

A: The Separation of TopBuild from Masco as described in this Information Statement is subject to the satisfaction or waiver of certain conditions, including, among other things:

- the Separation-related restructuring transactions contemplated by the Separation and Distribution Agreement will have been completed, and the ancillary agreements contemplated by the Separation and Distribution Agreement will have been executed and delivered by the parties thereto;
- the SEC will have declared effective our registration statement on Form 10, of which this Information Statement is a part, under the Exchange Act, and this Information Statement will have been mailed to the holders of Masco common stock as of the record date;
- the TopBuild common stock to be delivered in the distribution will have been approved for listing on the NYSE, subject to official notice of issuance;
- Masco will have received an opinion of counsel, reasonably satisfactory to Masco, to the effect that, for U.S. federal income tax purposes, the Restructuring Transactions and the distribution of the TopBuild common stock will qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and a tax-free distribution within the meaning of Section 355 of the Code;
- no applicable law will have been adopted, promulgated or issued that prohibits the consummation of the distribution or any of the transactions contemplated by the Separation and Distribution Agreement;
- a credit facility will have been made available to TopBuild by its lenders on terms and in an amount satisfactory to Masco; and
- no event or development will have occurred or exist that, in the judgment of the Masco board of directors, in its sole discretion, makes it inadvisable to effect the distribution or other transactions contemplated by the Separation and Distribution Agreement.

We cannot assure you that any or all of the conditions to the distribution for the Separation will be met. For a complete discussion of all of the conditions to the distribution, see "The Separation—Conditions to the Distribution."



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*Q: Can Masco decide to cancel the distribution of the TopBuild common stock even if all the conditions have been met?*

A: Yes. Masco has the right to terminate the Separation at any time prior to the distribution, even if all of the conditions to the Separation are satisfied.

*Q: Do I have appraisal rights?*

A: No, Masco stockholders do not have any appraisal rights in connection with the Separation.

*Q: Who is the transfer agent for TopBuild common stock?*

A: We expect that Computershare will be the transfer agent for TopBuild common stock. Computershare's address is P.O. Box 30170, College Station, Texas, 77842-3170 and its phone number is (866) 230-0666 (in the United States), (201) 680-6578 (outside the United States) and (800) 231-5469 (hearing impaired).

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## RISK FACTORS

*You should carefully consider each of the following risks and all of the other information contained in this Information Statement. Some of these risks relate principally to our Separation from Masco, while others relate principally to our business and the industry in which we operate or to the securities markets generally and ownership of our common stock.*

*Our business, prospects, financial condition, results of operations or cash flows could be materially and adversely affected by any of these risks, and, as a result, the trading price of our common stock could decline.*

### Risks Relating to the Separation

***We may not realize the anticipated benefits from the Separation, and our historical combined and pro forma financial information is not necessarily indicative of our future prospects.***

We may not realize the anticipated benefits we expect from our Separation from Masco. We have described those anticipated benefits elsewhere in this Information Statement. See "The Separation—Reasons for the Separation." In addition, we will incur significant costs, including those described below, which may exceed our estimates, and we will incur some negative effects from the Separation, including loss of scale and access to some of the financial, managerial and professional resources from which we have benefited in the past.

Our historical combined and unaudited pro forma combined financial information included in this Information Statement is not necessarily indicative of our future financial condition, future results of operations or future cash flows, nor does it reflect what our financial condition, results of operations or cash flows would have been as an independent public company during the periods presented. In particular, the historical combined financial information included in this Information Statement is not necessarily indicative of our future financial condition, results of operations or cash flows primarily because of the following factors:

- Our historical combined financial results reflect allocations of expenses for services historically provided by Masco, and this allocation of Masco corporate expenses may be significantly lower than the comparable expenses we would have incurred as an independent company;
- Our working capital requirements and capital expenditures historically have been satisfied as part of Masco's corporate-wide cash management and capital expenditure programs, and our cost of debt and other capital may significantly differ from that reflected in our historical combined financial statements;
- The historical combined financial information may not fully reflect the costs associated with the Separation, including all costs related to being an independent public company; and
- TopBuild currently benefits from Masco's size and scale for the purchase of certain goods and services, and thus the Services Business costs may be significantly lower than the comparable costs we would have incurred as an independent company.

We based the pro forma adjustments included in this Information Statement on available information and assumptions that we believe are reasonable. These adjustments, however, may overstate the value of our assets or understate the amount of our liabilities. In addition, our unaudited pro forma combined financial information included in this Information Statement may not give effect to various ongoing additional costs we may incur in connection with being an independent public company. Accordingly, our unaudited pro forma combined financial statements do not reflect what our financial condition, results of operations or cash flows would have been as an independent public company and is not necessarily indicative of our future financial condition or future results of operations.

Please refer to "Unaudited Pro Forma Combined Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical combined financial statements and the notes to those statements included elsewhere in this Information Statement.

***We have no history operating as an independent public company. We will incur significant costs to create the corporate infrastructure necessary to operate as an independent public company.***

Masco currently performs many important corporate functions for us, including risk management, claims management, human resources, finance and legal. We are currently allocated a portion of Masco's corporate expenses for these services. Following the separation, Masco will continue to provide some of these services to us on a transitional basis, generally for a period of up to [     ], with a possible extension of [     ], pursuant to a Transition Services Agreement that we will enter into with Masco. For more information regarding the Transition Services Agreement, see "The Separation—Agreements with Masco—Transition Services Agreement." Masco may not successfully execute all these functions during the transition period or we may have to expend significant efforts or costs materially in excess of those estimated under the Transition Services Agreement. Any interruption in these services could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, at the end of this transition period, we will need to perform these functions ourselves or hire third parties to perform these functions on our behalf. The costs associated with performing or outsourcing these functions may exceed the amounts reflected in our historical combined financial statements or that we have agreed to pay Masco during the transition period. A significant increase in the costs of performing or outsourcing these functions could materially and adversely affect our business, financial condition, results of operations and cash flows.

While we believe our core information technology systems, including our ERP systems, are relatively self-sufficient from Masco, we have historically used Masco's corporate infrastructure for functions such as corporate human resources, finance and legal, including the costs of salaries, benefits and other related costs. The expenses related to establishing and maintaining this infrastructure were shared by Masco's various businesses through allocations of costs that were incurred by Masco. Following the Separation and after the expiration of the Transition Services Agreement described above, we will no longer have access to Masco's infrastructure, and we will need to establish and maintain our own. We expect to incur costs beginning in 2015 to establish the necessary infrastructure.

***The obligations associated with being a public company will require significant resources and management attention.***

Currently, we are not directly subject to the reporting and other requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Following the effectiveness of the registration statement of which this Information Statement forms a part, we will be directly subject to such reporting and other obligations under the Exchange Act and the rules of the NYSE, and beginning with our 2016 fiscal year, we expect to be compliant with the applicable requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which will require, in the future, annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing the effectiveness of these controls. As an independent public company, we are required to, among other things:

- prepare and distribute periodic reports, proxy statements and other stockholder communications in compliance with the federal securities laws and the NYSE rules;
- have our own board of directors and committees thereof;
- maintain an internal audit function;

- institute our own financial reporting and disclosure compliance functions;
- establish an investor relations function;
- establish internal policies, including those relating to trading in our securities and disclosure controls and procedures; and
- comply with the rules and regulations implemented by the SEC, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Public Company Accounting Oversight Board and the NYSE.

These reporting and other obligations will place significant demands on our management and our administrative and operational resources, including accounting resources, and we expect to face increased legal, accounting, administrative and other costs and expenses relating to these demands that we had not incurred as a segment of Masco. Our investment in compliance with existing and evolving regulatory requirements will result in increased administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Until the Separation occurs, Masco has sole discretion to change the terms of the distribution in ways that may be unfavorable to us.***

Until the Separation occurs, TopBuild's business will be an operating segment of Masco. Although the Masco board of directors approved in September 2014 a plan to distribute to Masco's stockholders all of the shares of common stock of TopBuild, the Separation remains subject to the satisfaction or waiver of certain conditions, some of which are in the sole and absolute discretion of Masco. Additionally, Masco has the sole and absolute discretion to change certain terms of the Separation, including the amount of any distribution we make to Masco, the amount of our indebtedness and the allocation of contingent liabilities, which changes could be unfavorable to us. In addition, Masco may decide at any time prior to the completion of the Separation not to proceed with the Separation.

***In connection with the Separation, Masco will indemnify us for certain liabilities and we will indemnify Masco for certain liabilities. If we are required to act under these indemnities to Masco, we may need to divert cash to meet those obligations, which could adversely affect our financial results. Moreover, the Masco indemnity may not be sufficient to insure us against the full amount of liabilities for which it will be allocated responsibility, and Masco may not be able to satisfy its indemnification obligations to us in the future.***

Pursuant to the Separation and Distribution Agreement and other agreements with Masco, Masco will agree to indemnify us for certain liabilities, and we will agree to indemnify Masco for certain liabilities, as discussed further in "The Separation—Agreements with Masco." Indemnities that we may be required to provide Masco are not subject to any cap, may be significant and could negatively affect our business, particularly indemnities relating to our actions that could affect the tax-free nature of the Separation. Third parties could also seek to hold us responsible for any of the liabilities that Masco has agreed to retain, and under certain circumstances, we may be subject to continuing contingent liabilities of Masco following the Separation, such as certain shareholder litigation claims. Further, Masco may not be able to fully satisfy its indemnification obligations or such indemnity obligations may not be sufficient to cover our liabilities. Moreover, even if we ultimately succeed in recovering from Masco any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could negatively affect our business, results of operations, liquidity and financial condition.

***After the Separation, Masco's insurers may deny coverage to us for losses associated with occurrences prior to the Separation, and we may no longer be covered under Masco's insurance policies or performance, surety and other bonds. Furthermore, there can be no assurance that we will be able to obtain insurance coverage or performance, surety and other bonds following the Separation on terms that justify their purchase, and any such insurance coverage or performance, surety and other bonds may not be adequate to offset costs associated with certain events.***

In connection with the Separation, we will enter into agreements with Masco to address several matters associated with the Separation, including insurance coverage and bonding requirements. See "The Separation—Agreements with Masco." However, after the Separation, Masco's insurers may deny coverage to us for losses associated with occurrences prior to the Separation. Accordingly, we may be required to temporarily or permanently bear the costs of such lost coverage. In addition, although currently not finalized, the Separation and Distribution Agreement may provide that following the Separation, TopBuild will no longer have insurance coverage under any Masco insurance policies in connection with events occurring as of or after the distribution relating to the Separation, including under Masco's corporate-wide insurance policies. As a result, we would have to obtain our own insurance policies after the Separation is complete. Although we expect to maintain insurance against some, but not all, hazards that could arise from our operations, we can provide no assurance that we will be able to obtain such coverage at an acceptable cost, or at all, or that such coverage will be adequate to protect us from costs incurred with the insured events. The occurrence of an event that is not insured or not fully insured could have a material adverse effect on our financial condition, results of operations, liquidity and cash flows in the future. Further, Masco is required to have performance, surety and other bonds to cover various obligations of the Services Business. Following the Separation, there is a risk that TopBuild will not be able to obtain bonding in amounts required at an acceptable cost, if at all. See "The Separation—Agreements with Masco."

***Transfer or assignment to us of some contracts and other assets may require the consent of a third party. If such consent is not given, we may not be entitled to the benefit of such contracts, investments and other assets in the future.***

Transfer or assignment of some of the contracts and other assets in connection with the Separation may require the consent of a third party to the transfer or assignment. Similarly, in some circumstances, we are joint beneficiaries of contracts, and we will need to enter into a new agreement with the third party to replicate the existing contract or assign the portion of the existing contract related to our business. While we anticipate that most of these contract assignments will occur prior to the completion of the Separation, we may not be able to obtain all required consents until after the Separation date. Some parties may use the requirement of a consent to seek more favorable contractual terms from us, which could include our having to obtain letters of credit or other forms of credit support. If we are unable to obtain such consents or such credit support on commercially reasonable and satisfactory terms, we may be unable to obtain some of the benefits, assets and contractual commitments that are intended to be allocated to us as part of the Separation. In addition, where we do not intend to obtain consent from third-party counterparties based on our belief that no consent is required, the third-party counterparties may challenge the transaction on the basis that the terms of the applicable commercial arrangements require their consent. We may incur substantial litigation and other costs in connection with any such claims and, if we do not prevail, our ability to use these assets could be adversely impacted.

***After the Separation, some of our directors and officers may have actual or potential conflicts of interest because of their equity ownership in Masco, and some of our directors may have actual or potential conflicts of interest because they also serve on the Masco board of directors.***

Because of their current or former positions with Masco, following the Separation, some of our directors and executive officers may own shares of Masco common stock or have options to acquire shares of Masco common stock, and such holdings may be significant for some of these individuals compared to their total assets. In addition, following the Separation, we anticipate that one of our expected directors, Mr. Dennis Archer, will also continue to serve on the Masco board of directors. This ownership or service on both boards of directors may create, or may create the appearance of, conflicts of interest when these directors and officers are faced with decisions that could have different implications for Masco and us. For example, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between Masco and us regarding the terms of the agreements governing the Separation and the relationship thereafter between the companies.

***The combined post-distribution value of Masco and TopBuild shares may not equal or exceed the pre-distribution value of Masco shares.***

After the Separation, Masco common stock will continue to be traded on the NYSE. We expect to apply to list the shares of our common stock on the NYSE. We cannot assure you that the combined trading prices of Masco common stock and our common stock after the Separation, as adjusted for any changes in the combined capitalization of both companies, will be equal to or greater than the trading price of Masco common stock prior to the Separation. Until the market has fully evaluated the business of Masco without our business and potentially thereafter, the price at which Masco common stock trades may fluctuate significantly. Similarly, until the market has fully evaluated our business and potentially thereafter, the price at which our common stock trades may fluctuate significantly.

***We may not be able to access the credit and capital markets at the times and in the amounts needed and on acceptable terms.***

From time to time, we may need to access the long-term and short-term capital markets to obtain financing. Our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including: (1) our financial performance, (2) our credit ratings or absence of a credit rating, (3) the liquidity of the overall capital markets and (4) the state of the economy. There can be no assurance that we will have access to the capital markets on terms acceptable to us. If we are unable to obtain access to the capital markets on acceptable terms or at all, our financial condition, liquidity and ability to fund our growth strategies could be materially and adversely affected.

Concurrently with the Separation, we expect to enter into a credit facility to provide us with available financing for working capital and other general corporate purposes. This credit facility is intended to meet any ongoing cash needs in excess of internally generated cash flows. Uncertainty and illiquidity in financial markets may materially impact the ability of the participating financial institutions to fund their commitments to us under our credit facility. Accordingly, we may not be able to obtain the full amount of the funds available under our credit facility to satisfy our cash requirements, and our failure to do so could have a material adverse effect on our operations and financial position.

***We potentially could have received better terms from unaffiliated third parties than the terms we received in our agreements with Masco.***

The agreements we entered into with Masco in connection with the Separation were negotiated while we were still part of Masco's business. See "The Separation—Agreements with Masco." Accordingly, during the period in which the terms of those agreements will have been negotiated, we

did not have an independent board of directors or a management team independent of Masco. The terms of the agreements negotiated in the context of the Separation relate to, among other things, the allocation of assets, liabilities, rights and other obligations between Masco and us, and arm's-length negotiations between Masco and an unaffiliated third party in another form of transaction, such as a buyer in a sale of a business transaction, may have resulted in more favorable terms received from the unaffiliated third party.

***Compliance with and changes in tax laws could adversely affect our performance.***

We are subject to extensive tax liabilities imposed by multiple jurisdictions, including income taxes, indirect taxes (excise/duty, sales/use and gross receipts taxes), payroll taxes, franchise taxes, withholding taxes and ad valorem taxes. New tax laws and regulations and changes in existing tax laws and regulations are continuously being enacted or proposed that could result in increased expenditures for tax liabilities in the future. Many of these liabilities are subject to periodic audits by the respective taxing authority. Subsequent changes to our tax liabilities as a result of these audits may subject us to interest and penalties.

***If the Separation, together with certain related transactions, does not qualify as a transaction that is generally tax-free for U.S. federal income tax purposes, Masco and holders of Masco common stock could be subject to significant tax liability.***

As described under "Material U.S. Federal Income Tax Consequences of the Separation," it is intended that the Separation, together with certain related transactions, will qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and a tax-free distribution within the meaning of Section 355 of the Code. The consummation of the Separation and the related transactions is conditioned upon the receipt of an opinion of tax counsel to the effect that such transactions qualify for their intended tax treatment. An opinion of tax counsel does not preclude the Internal Revenue Service (the "IRS") or the courts from adopting a contrary position. The tax opinion will rely on certain representations, covenants and assumptions, including those relating to our and Masco's past and future conduct; if any of those representations, covenants or assumptions is inaccurate, tax counsel may not be able to provide the required tax opinion or the tax consequences of the Separation could differ from the intended tax treatment. If the Separation and/or certain related transactions fail to qualify for tax-free treatment, for any reason, Masco and/or holders of Masco common stock would be subject to tax as a result of the Separation and certain related transactions. See "Material U.S. Federal Income Tax Consequences of the Separation."

***If the Separation is taxable to Masco as a result of a breach by us of any covenant or representation made by us in the Tax Matters Agreement, we will generally be required to indemnify Masco; the obligation to make a payment on this indemnification obligation could have a material adverse effect on us.***

As described above, it is intended that the Separation, together with certain related transactions, will generally qualify as tax-free transactions to holders of Masco common stock and to Masco. If the Separation and/or the related transactions are not so treated or are taxable to Masco pursuant to Section 355(e) of the Code (see "Material U.S. Federal Income Tax Consequences of the Separation—The Separation") due to a breach by us (or any of our subsidiaries) of any covenant or representation made by us in the Tax Matters Agreement, we will generally be required to indemnify Masco for all tax-related losses suffered by Masco in connection with the Separation. In addition, we will not control the resolution of any tax contest relating to taxes suffered by Masco in connection with the Separation, and we may not control the resolution of tax contests relating to any other taxes for which we may ultimately have an indemnity obligation under the Tax Matters Agreement. In the event that Masco suffers tax-related losses in connection with the Separation that must be indemnified by us under the

Tax Matters Agreement, the indemnification liability in respect of Masco's tax liability in connection with the Separation could have a material adverse effect on us.

***We may be affected by significant restrictions following the Separation in order to avoid triggering significant tax-related liabilities.***

The Tax Matters Agreement generally will prohibit us from taking certain actions that could cause the Separation and certain related transactions to fail to qualify as tax-free transactions, including:

- from and until the second anniversary of the Separation, neither we nor any of our subsidiaries may sell, exchange, distribute or otherwise dispose of any assets held by us or our subsidiaries, except for assets that, in the aggregate, do not constitute more than 5% of our total assets;
- from and until the second anniversary of the Separation (or otherwise pursuant to a "plan" within the meaning of Section 355(e) of the Code), we may not cause or permit any business combination or transaction which, individually or in the aggregate, could result in one or more persons acquiring directly or indirectly a forty percent (40%) or greater interest in us for purposes of Section 355(e) of the Code;
- from and until the second anniversary of the Separation, we may not discontinue the active conduct of our business (within the meaning of Section 355(b)(2) of the Code);
- from and until the second anniversary of the Separation, we may not sell or otherwise issue our common stock, other than pursuant to issuances that satisfy certain regulatory safe harbors set forth in Treasury Regulations related to stock issued to employees and retirement plans;
- from and until the second anniversary of the Separation, we may not redeem or otherwise acquire any of our common stock, other than pursuant to open-market repurchases of less than 20% of our common stock (in the aggregate);
- from and until the second anniversary of the Separation, we may not amend our certificate of incorporation (or other organizational documents) or take any other action, whether through a stockholder vote or otherwise, affecting the voting rights of our common stock; and
- more generally, we may not take any action that could reasonably be expected to cause the Separation and certain related transactions to fail to qualify as tax-free transactions under Section 368(a)(1)(D) and Section 355 of the Code.

If we take any of the actions above and such actions result in tax-related losses to Masco, then we generally will be required to indemnify Masco for such tax-related losses. See "Agreements with Masco—Tax Matters Agreement." Due to these restrictions and indemnification obligations under the Tax Matters Agreement, we may be limited in our ability to pursue strategic transactions, equity or convertible debt financings or other transactions that may otherwise be in our best interests. Also, our potential indemnity obligation to Masco might discourage, delay or prevent a change of control that our stockholders may consider favorable to our ability to pursue strategic transactions, equity or convertible debt financings, or other transactions that may otherwise be in our best interests.

**Risks Relating to Our Business**

***Our business relies on residential new construction activity, and to a lesser extent on residential repair/remodel and commercial construction activity, all of which are cyclical and not fully recovered from the housing crisis.***

Our business relies on residential new construction activity and, to a lesser but significant extent, on residential repair/remodel and commercial construction activity, in the United States, which is cyclical. Macroeconomic and local economic conditions, including consumer confidence levels,



fluctuations in home prices, unemployment and underemployment levels, student loan debt, household formation rates, the age and volume of the housing stock, the availability of home equity loans and mortgages and the interest rates for such loans, and other factors, affect both consumers' discretionary spending on residential new construction projects, as well as residential repair/remodel activity. The Commercial construction market is affected by macroeconomic and local economic factors such as interest rates, credit availability for commercial construction projects, material costs, employment rates, office vacancy rates and office absorption rates. Adverse changes or uncertainty regarding these and other factors could result in a decline in spending on residential new construction, residential repair/remodel and commercial construction projects, which could adversely affect our results of operations and our financial position.

While improving, residential new construction, residential repair/remodel and commercial construction activity (including consumer spending for big ticket remodeling projects) continue to be below historical average levels, which has affected our operating results. While markets have stabilized from the downturn in recent years, there remains significant uncertainty regarding the timing and extent of a full recovery in residential new construction and residential repair/remodel activity and resulting demand levels for building products we install and/or distribute. In addition to the influence of cyclical macroeconomic and local conditions discussed above, other factors that pose challenges for the markets to return to historical levels of activity include:

- a significant number of homeowners whose outstanding principal balance on their mortgage loan exceeds the market value of their home, which undermines their ability to purchase another home or begin a remodeling that they otherwise might desire and be able to afford;
- relatively high levels of mortgage loan delinquencies, defaults and foreclosures that could add to an inventory of lender-owned homes that may be sold in competition with new and resale homes at low, distressed prices or that generate short sales activity at such price levels;
- the size and nature of new homes, which decreased during the downturn and shifted to a greater mix of multi-family housing units such as apartments and condominiums, which are often smaller than single-family housing units and require less insulation and other building products;
- tighter lending standards and practices for mortgage loans that limit consumers' ability to qualify for mortgage financing to purchase a home;
- tighter lending standards for commercial credit for smaller builders, as well as for the development of new lots;
- relatively high levels of student debt and consumer debt and relatively low consumer confidence; and
- certain unfavorable demographic trends, such as historically low household formation rates, which tends to result in lower home ownership rates than historical averages.

Given these challenges, the present recovery may not continue or gain further momentum and activity in our lines of business may not return to historic levels, which would have a significant adverse effect on the growth potential of our business, and our financial condition, operating results and cash flows.

***We are dependent on third-party suppliers and manufacturers providing us with an adequate supply of high quality products, and the loss of a key supplier or manufacturer could negatively affect our operating results.***

Our installation and distribution businesses depend on our ability to obtain an adequate supply of high quality products and components from manufacturers and other suppliers. We rely heavily on third-party suppliers for our products and key components. Failure by our suppliers to provide us with

an adequate supply of high quality products on commercially reasonable terms, or to comply with applicable legal requirements, could have a material adverse effect on our financial condition or operating results. We procure our materials, primarily fiberglass insulation, from leading manufacturers in the industry. While we believe that we have strong relationships with our suppliers, in the past, during housing market cycles, the fiberglass insulation industry has encountered both shortages and periods of significant oversupply, leading to price volatility and, during shortages, allocations of supply. This volatility of selling prices and materials availability has in the past and may in the future have a significant impact on our results of operation. While we do not believe we depend on any sole or limited source of supply, we do source the majority of our building products, primarily insulation, from a limited number of large suppliers. Any re-sourcing of building products to one or more new supplier could, therefore, take time and involve significant costs. Accordingly, the loss of a key supplier, or a substantial decrease in the availability of products or components from our suppliers, could disrupt our business and adversely impact our operating results.

***The long-term performance of our businesses relies on our ability to attract, develop and retain talented personnel and our sales and labor force, including sales representatives, branch managers, installers and truck drivers, while controlling our labor costs.***

To be successful, we must attract, develop and retain highly qualified and talented personnel who have the experience, knowledge and expertise to successfully implement our key business strategies. We also must attract, develop and retain our sales and labor force while maintaining labor costs. We compete for employees, including branch managers, sales people, regional management and executive officers, with a broad range of employers in many different industries, including large multinational firms, and we invest significant resources in recruiting, developing, motivating and retaining them. The failure to attract and retain key employees, or to develop effective succession planning to assure smooth transitions of those employees and the knowledge, customer relationships and expertise they possess, could negatively affect our competitive position and our operating results. Further, as the economy continues to recover, if we are unable to cost-effectively recruit, train and retain sufficient skilled sales and labor personnel, including sales representatives, branch managers, installers and truck drivers, we may not be able to adequately satisfy increased demand for our products and services, which could impact our operating results. We have also experienced difficulty in the past securing personnel for certain of our labor force due to lack of proper immigration status.

Our ability to control labor costs and attract qualified labor is subject to numerous external factors, including prevailing wage rates, labor shortages, the impact of legislation or regulations governing wages and hours, labor relations, immigration, healthcare benefits and other insurance costs. In addition, we compete with other companies to recruit and retain qualified installers and truck drivers in a tight labor market, and we invest significant resources in training and motivating them to maintain a high level of job satisfaction. These positions generally have high turnover rates, which can lead to increased training and retention costs. If we are unable to attract or retain qualified employees, it could adversely impact our operating results.

***Because we operate our business through highly dispersed locations across the United States, our operations may be materially adversely affected by inconsistent practices and the operating results of individual branches and distribution centers may vary.***

We operate our business through a network of dispersed branch locations and distribution facilities throughout the United States, supported by corporate executives and services in our headquarters, with branch and regional management retaining responsibility for day-to-day operations and adherence to applicable local laws. Our operating structure can make it difficult for us to coordinate procedures across our operations in a timely manner or at all. In addition, our branches and distribution facilities may require significant oversight and coordination from headquarters to support their growth.

Inconsistent implementation of corporate strategy and policies at the local or regional level could materially and adversely affect our overall profitability, business, results of operations, financial condition and prospects.

In addition, the operating results of a specific individual branch or distribution facility may differ from that of another branch or distribution facility for a variety of reasons, including business apportionment, management practices, competitive landscape, regulatory requirements and local economic conditions. As a result, certain of our branches or distribution facilities may experience higher or lower levels of growth than other branches or distribution facilities. Therefore, our overall financial performance and results of operations may not be indicative of the performance and results of operations of any individual branch or distribution facility.

***Our profit margins could decrease due to changes in the costs of the products we install and/or distribute.***

The principal building products that we install and distribute have been subject to price changes in the past, some of which have been significant. Our results of operations for individual quarters can be and have been hurt by a delay between the time building product cost increases are implemented and the time we are able to increase prices for our installation or distribution services, if at all. Our supplier purchase prices may depend on our purchasing volume or other arrangements with any given supplier. While we have been able to achieve cost savings through volume purchasing or other arrangements with suppliers in the past, we may not be able to continue to receive advantageous pricing for the products that we distribute and install. If we are unable to maintain pricing consistent with prior periods, our costs could increase and our margins may be adversely affected, which could have a material adverse effect on our financial condition, results of operations and cash flows.

***We face significant competition.***

The market for the distribution and installation of building products is highly fragmented and competitive, and the barriers to entry for local competitors are relatively low. We face significant pricing pressure from competitors in both our installation and distribution businesses. In addition to price, we believe that competition in our industry is based largely on customer service and the quality and timeliness of installation services and distribution product deliveries in each local market. Our installation competitors include national contractors, regional contractors, and local contractors, and we face many or all of these competitors for each project on which we bid. Our insulation distribution competitors include specialty insulation distributors (one multi-regional, several regional, and numerous local). In some instances, our insulation distribution business sells products to companies that may compete directly with our installation service business. We also compete with broad line building products distributors, big box retailers and insulation manufacturers. Barriers to entry in our markets are also relatively low, which increases the risk that additional competitors will emerge.

Our ability to maintain our competitive position in our industry and to grow our businesses depends upon successfully maintaining our relationships with major suppliers and customers, cost-effectively recruiting and retaining our sales and labor force, including key sales representatives, branch managers, installers and truck drivers, in a tight labor market, delivering superior customer service and quality installations, implementing growth strategies, leveraging our scale and managing our cost structure, none of which is assured. If we are unable to compete effectively, our business, financial condition, results of operations and cash flows would be materially and adversely affected.

***Our business is seasonal and is susceptible to adverse weather conditions and natural disasters.***

Our industry is seasonal. We normally experience stronger sales during the third and fourth calendar quarters, corresponding with the peak season for residential new construction and residential repair/remodel activity. Sales during the winter weather months are seasonally slower due to the lower construction activity. Historically, the installation of insulation lags housing starts by several months.

In addition, to the extent that hurricanes, severe storms, earthquakes, droughts, floods, fires, other natural disasters or similar events occur in the geographic areas in which we operate, our business may be adversely affected. For example, in the first quarter of 2014, many of our customers and local operations were impacted by adverse weather events that slowed construction activity.

Severe weather and natural disasters can cause delays or halts and increased costs in the construction of new homes, residential repair/remodeling projects and commercial construction projects. We may underestimate the impact of seasonality in any given period. Severe weather is often unpredictable, which contributes to earnings volatility and makes forecasting our results of operation more difficult. Severe weather and seasonality may have an adverse impact on our business, including our financial position, cash flows from operations and results of operations.

In addition, we may experience business interruptions and property or other damage due to severe weather or natural disasters. If insurance is unavailable to us or is unavailable on acceptable terms, or if our insurance is not adequate to cover business interruption or losses resulting from adverse weather or natural disasters, our business and results of operations will be adversely affected. In addition, damage to homes or commercial sites caused by adverse weather or a natural disaster can cause our insurance costs to increase.

***Claims and litigation could be costly.***

We are, from time to time, involved in various claims, litigation matters and regulatory proceedings that arise in the ordinary course of our business and which could have a material adverse effect on us. These matters may include contract disputes, automobile liability and other personal injury claims, warranty disputes, environmental claims or proceedings, other tort claims, employment and tax matters and other proceedings and litigation, including class actions.

We rely on our suppliers to provide us with the building products that we install and/or distribute. Due to the difficulty of controlling the quality of products sourced from our suppliers, we are exposed to risks relating to the quality of such products and to limitations on our recourse against such suppliers.

In addition, we are exposed to potential claims by our employees or others based on job related hazards. For example, certain types of insulation, particularly spray foam applications, require our employees to handle potentially hazardous or toxic substances. While we place significant focus on employee safety and our employees who handle potentially hazardous or toxic materials, including but not limited to lead-based paint, receive specialized training and wear protective clothing, there is still a risk that they, or others, may be exposed to these substances. Exposure to these substances could result in significant injury to our employees and others, including site occupants, and damage to our property or the property of others, including natural resource damage, for which we may be liable.

We have also experienced class action lawsuits in recent years predicated upon claims for antitrust, product liability, construction defects, competition and wage and hour issues. We have generally denied liability and have vigorously defended these cases. Due to their scope and complexity, however, these lawsuits can be particularly costly to defend and resolve, and we have and may continue to incur significant costs as a result of these types of lawsuits.

Our builder and contractor customers are subject to construction defect and warranty claims in the ordinary course of their business. Our contractual arrangements with these customers may include our agreement to defend and indemnify them against various liabilities. These claims, often asserted several years after completion of construction, can result in complex lawsuits or claims against the builders, contractors and many of their subcontractors, including us, and may require us to incur defense and indemnity costs even when our services or distributed products are not the principal basis for the claims.

Although we intend to defend all claims and litigation matters vigorously, given the inherently unpredictable nature of claims and litigation, we cannot predict with certainty the outcome or effect of any claim or litigation matter.

We expect to maintain insurance against some, but not all, of these risks of loss resulting from claims and litigation. We may elect not to obtain insurance if we believe the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. If any significant accident, judgment, claim or other event is not fully insured or indemnified against, it could have a material adverse impact on our business, financial condition and results of operations.

***We may have future capital needs and may not be able to obtain additional financing on acceptable terms.***

Economic and credit market conditions, the performance of the construction industry, and our financial performance, as well as other factors, including restrictions under the Tax Matters Agreement following the Separation, may constrain our financing abilities. Our ability to secure additional financing, if available, and to satisfy our financial obligations under indebtedness outstanding from time to time will depend upon our future operating performance, the availability of credit, economic conditions and financial, business and other factors, many of which are beyond our control. Any worsening of current housing market or other construction industry conditions and the macroeconomic and local economic factors that affect our industry could require us to seek additional capital and have a material adverse effect on our ability to secure such capital on favorable terms, if at all. In addition, from and until the second anniversary of the Separation, the Tax Matters Agreement generally will prohibit us and our affiliates from taking certain actions that could cause the Separation and certain related transactions to fail to qualify as tax-free transactions, which includes certain issuances of our common stock. See the risk factor titled "We may be affected by significant restrictions following the Separation in order to avoid triggering significant tax-related liabilities" above.

***We may not be able to identify new products and new product lines and integrate them into our distribution network, which may impact our ability to compete; our expansion into new markets may present competitive, distribution and regulatory challenges that differ from current ones.***

Our business depends in part on our ability to identify future products and product lines that complement existing products and product lines and that respond to our customers' needs. We may not be able to compete effectively unless our product selection keeps up with trends in the markets in which we compete or trends in new products. In addition, our ability to integrate new products and product lines into our distribution network could affect our ability to compete. Furthermore, the success of new products and new product lines will depend on market demand and there is a risk that new products and new product lines will not deliver expected results, which could negatively impact our future sales and results of operations. Our expansion into new markets may present competitive, distribution and regulatory challenges that differ from current ones. We may be less familiar with new product categories and may face different or additional risks, as well as increased or unexpected costs, compared to existing operations. Growth into new markets may also bring us into direct competition with companies with whom we have little or no past experience as competitors and may not be

supported by our historical product suppliers. To the extent we are reliant upon expansion into new geographic, industry and product markets for growth and do not meet the new challenges posed by such expansion, our future sales growth could be negatively impacted, our operating costs could increase and our business operations and financial results could be negatively affected.

***We may be adversely affected by any natural or man-made disruptions to our facilities.***

We currently maintain a broad network of distribution facilities and installation branches throughout the United States. Any widespread disruption to our facilities resulting from fire, earthquake, weather-related events, an act of terrorism, or any other cause could damage a significant portion of our inventory and supply stock and could materially impair our ability to provide installation and/or distribution services for our customers. Moreover, we could incur significantly higher costs and longer lead times associated with our installation and distribution services to our customers during the time that it takes for us to reopen or replace a damaged facility. In addition, any shortages of fuel or significant fuel cost increases could disrupt our installation and distribution services. If any of these events were to occur, our financial condition, operating results and cash flows could be materially and adversely affected.

***We are subject to competitive pricing pressure from our customers.***

Residential homebuilders historically have exerted significant pressure on their outside suppliers to keep prices low because of their market share and ability to leverage such market share in the highly fragmented building products supply and services industry. The housing industry downturn resulted in significantly increased pricing pressures from homebuilders and other customers. These pricing pressures have adversely affected our operating results and cash flows. In addition, consolidation among homebuilders, and changes in homebuilders' purchasing policies or payment practices, could result in additional pricing pressure. Moreover, during the housing downturn, several of our homebuilder customers defaulted on amounts owed to us or extended their payable days as a result of their financial condition. If such payment failures or delays were to recur, it could significantly adversely affect our financial condition, operating results and cash flows.

***The development of alternatives to distributors in the supply chain could cause a decrease in our sales and operating results and limit our ability to grow our business.***

Our distribution customers could begin purchasing more of their product needs directly from manufacturers, which would result in decreases in our net sales and earnings. Our suppliers could invest in infrastructure to expand their own local sales force and sell more products directly to our distribution customers, which also would negatively impact our business. In addition, our distribution customers may elect to establish their own building products manufacturing and distribution facilities, or give advantages to manufacturing or distribution intermediaries in which they have an economic stake. These changes in the supply chain could adversely affect our financial condition, operating results and cash flows.

***Union organizing activity and work stoppages could delay or reduce availability of products that we install and increase our costs.***

Approximately 400 of our employees are currently covered by collective bargaining or other similar labor agreements that expire on various dates from May 2015 through June 2019. Any inability by us to negotiate collective bargaining arrangements could cause strikes or other work stoppages, and new contracts could result in increased operating costs. If any such strikes or other work stoppages occur, or if other employees become represented by a union, we could experience a disruption of our operations and higher labor costs. Further, if a significant number of additional employees were to unionize, including in the wake of any future legislation that makes it easier for employees to unionize, these

risks would increase. In addition, certain of our suppliers have unionized work forces and certain of the products we install and/or distribute are transported by unionized truckers. Strikes, work stoppages or slowdowns could result in slowdowns or closures of facilities where the products that we install and/or distribute are manufactured or could affect the ability of our suppliers to deliver such products to us. Any interruption in the production or delivery of these products could delay or reduce availability of these products and increase our costs.

***If we are required to take significant non-cash charges, our financial resources could be reduced and our financial flexibility may be negatively affected.***

We have recorded significant goodwill and other intangible assets related to prior business combinations on our balance sheet. The valuation of these assets is largely dependent upon the expectations for future performance of our businesses. Expectations about the growth of residential new construction, residential repair/remodel and commercial construction activity may impact whether we are required to recognize non-cash, pre-tax impairment charges for goodwill and other indefinite-lived intangible assets or other long-lived assets. If the value of our goodwill, other intangible assets or long-lived assets is further impaired, our earnings and stockholders' equity would be adversely affected.

***Compliance with government regulation and industry standards could impact our operating results.***

We are subject to federal, state and local government regulations, particularly those pertaining to health and safety (including protection of employees and consumers), employment laws, including immigration and wage and hour regulations, contractor licensing and environmental issues. In addition to complying with current requirements, even more stringent requirements could be imposed in the future. Compliance with these regulations and industry standards is costly and may require us to alter our installation and distribution processes, our product sourcing or our business practices, and makes recruiting and retaining labor in a tight labor market more challenging. Compliance with these regulations and industry standards could also divert our attention and resources to compliance activities, and could cause us to incur higher costs. Further, if we do not effectively and timely comply with such regulations and industry standards, our results of operations could be negatively affected and we could become subject to substantial penalties or other legal liability.

***If we encounter difficulties with our information technology systems, we could experience problems with customer service, inventory, collections and cost control.***

Our operations are dependent upon our information technology systems, which encompass all of our major business functions. We rely upon such information technology systems to manage customer orders on a timely basis, to coordinate our installation and distribution activities across locations and to manage invoicing. If we experience problems with our information technology systems, we could experience, among other things, delays in receiving customer orders or placing orders with suppliers, and delays in scheduling production, installation services or shipments. Any failure by us to properly maintain and protect our information systems could thus adversely impact our ability to attract and serve customers and could cause us to incur higher operating costs and experience delays in the execution of our business strategies.

Since we rely heavily on information technology both in serving our customers and in our enterprise infrastructure in order to achieve our objectives, we may be vulnerable to damage or intrusion from a variety of cyber-attacks including computer viruses, worms or other malicious software programs that access our systems. Despite the precautions we take to mitigate the risks of such events, an attack on our enterprise information technology system could result in theft or disclosure of our proprietary or confidential information or a breach of confidential customer or employee information. Such events could have an adverse impact on revenue, harm our reputation, and cause us to incur legal

liability and costs, which could be significant, to address and remediate such events and related security concerns.

***Our business relies significantly on the know-how of our employees, and we generally do not have an intellectual property position that is protected by patents.***

Our business is significantly dependent upon our installation and distribution logistics know-how, including significant know-how in the application of building science to our Installation services. We rely on a combination of trade secrets and contractual confidentiality provisions and, to a much lesser extent, copyrights and trademarks, to protect our proprietary rights. Accordingly, our intellectual property position is more vulnerable than it would be if it were protected primarily by patents. If we fail to protect our proprietary rights successfully, our competitive position could suffer, which could harm our operating results. We may be required to spend significant resources to monitor and protect our proprietary rights, and, in the event a misappropriation or breach of our proprietary rights occurs, our competitive position in the market may be harmed. In addition, competitors may develop competing technologies and know-how that renders our know-how obsolete or less valuable.

***We occupy our branches and distribution facilities under leases with durations of five years or less. We may be unable to renew leases at the end of their terms.***

Most of our branches and distribution facilities are located in leased premises with lease terms of five years or less. At the end of the lease term and any renewal period, we may be unable to renew the lease without substantial additional cost, if at all. If we are unable to renew our branch or distribution facilities leases, we may be required to close or relocate such branch or facility, which could subject us to construction and other costs and risks, which in turn could have a material adverse effect on our business and operating results. In addition, we may not be able to secure a replacement facility in a location that is as commercially viable, including access to rail service, as the lease we are unable to renew. For example, closing a branch or distribution facility, even during the time of relocation, will reduce the sales that such location would have contributed. Additionally, the sales and profit, if any, generated at a relocated branch or facility may not equal the revenue and profit generated at the existing one.

***Any adverse credit rating could increase our costs of borrowing money and limit our access to the capital markets and commercial credit.***

We do not currently intend to seek credit ratings from Moody's Investor Service, Standard & Poor's or another rating service. However, if Moody's, Standard & Poor's or another rating service rates our credit, such rating could be below investment grade. Further, an initial credit rating could be lowered or withdrawn entirely by a ratings agency if, in its judgment, the circumstances warrant. If any such ratings are lowered, or are otherwise below investment grade, our borrowing costs could increase and our funding sources could decrease. Actual or anticipated changes or downgrades in future ratings, including any announcement that our ratings are under review for a downgrade, could adversely affect our business, cash flows, financial condition and operating results.

***Changes in building codes and consumer preferences could affect our ability to market our service offerings and our profitability. Moreover, if we do not respond to evolving customer preferences or changes in building standards, or if we do not maintain or expand our leadership in building science, our business, results of operation, financial condition and cash flow would be adversely affected.***

Each of our lines of business is impacted by local and state building codes and consumer preferences, including a growing focus on energy efficiency. Recently, building codes and consumer preferences have begun to shift towards environmentally friendly and energy-efficient building products. In addition, state and local governments may change building codes periodically for perceived safety or



other reasons. Our competitive advantage is due, in part, to our ability to respond to changes in consumer preferences and building codes. In particular, our Environments For Living® program is designed to make homes more energy-efficient, comfortable and durable. However, if our installation and distribution services do not adequately or quickly adapt to changing preferences and building standards, we may lose market share to competitors, which would adversely affect our business, results of operation, financial condition and cash flows. Further, our growth prospects could be harmed if consumer preferences and building standards evolve towards energy-efficient service offerings, which are more profitable than minimum code service offerings, more slowly than we anticipate.

The volatile and challenging economic environment of recent years has also caused shifts in consumer preferences and purchasing practices and changes in the business models and strategies of our customers. This has led to a shift in the quantity, type and prices of products demanded by our customers. For example, demand has increased for multi-family housing units such as apartments and condominiums, which are typically smaller, with correspondingly less insulation, than single-family houses. These shifts have negatively impacted our sales and our profitability, and it is uncertain whether these shifts represent long-term changes in preferences.

## **Risks Relating to Our Common Stock**

***Because there has not been any public market for our common stock, the market price and trading volume of our common stock may be volatile and you may not be able to resell your shares at or above the initial market price of our common stock following the Separation.***

Prior to the distribution relating to the Separation, there will have been no trading market for our common stock. An active trading market may not develop or be sustained for our common stock after the Separation, and we cannot predict the prices and volume at which our common stock will trade after the Separation. The market price of our common stock could fluctuate significantly due to a number of factors, many of which are beyond our control, including:

- fluctuations in our quarterly or annual earnings results or those of other companies in our industry;
- failures of our operating results to meet the estimates of securities analysts or the expectations of our stockholders or changes by securities analysts in their estimates of our future earnings;
- announcements by us or our customers, suppliers or competitors;
- changes in laws or regulations which adversely affect our industry or us;
- changes in accounting standards, policies, guidance, interpretations or principles;
- general economic, industry and stock market conditions;
- future sales of our common stock by our stockholders;
- future issuances of our common stock by us; and
- the other factors described in these "Risk Factors" and elsewhere in this Information Statement.

***A large number of our shares are or will be eligible for future sale, which may cause the market price for our common stock to decline.***

Upon completion of the Separation, we estimate that we will have outstanding an aggregate of approximately [ · ] shares of our common stock (based on [ · ] shares of Masco common stock outstanding on [ · ], 2015). All of those shares (other than those held by our "affiliates") will be freely tradable without restriction or registration under the Securities Act. Shares held by our affiliates, which include our directors and executive officers, can be sold subject to volume, manner of sale and

notice provisions under Rule 144. We estimate that our directors and executive officers, who may be considered "affiliates" for purposes of Rule 144, will beneficially own approximately [     ] shares, or [     ]%, of our common stock immediately following the Separation. We are unable to predict whether large amounts of our common stock will be sold in the open market following the Separation. We are also unable to predict whether a sufficient number of buyers will be in the market at that time. As discussed in the immediately following risk factor, certain index funds will likely be required to sell shares of our common stock that they receive pursuant to the Separation. In addition, other Masco stockholders may sell the shares of our common stock they receive pursuant to the Separation for various reasons. For example, such stockholders may not believe our business profile or level of market capitalization as an independent company fits their investment objectives. A change in the level of analyst coverage following the Separation could also negatively impact demand for our shares. The sale of significant amounts of our common stock or the perception in the market that this will occur may lower the market price of our common stock.

***Because we do not expect our common stock will be included in the Standard & Poor's 500 Index, and it may not be included in other stock indices, significant amounts of our common stock will likely need to be sold in the open market where they may not meet with offsetting new demand.***

A portion of Masco's outstanding common stock is held by index funds tied to the Standard & Poor's 500 Index or other stock indices. Based on a review of publicly available information as of [     ], 2015, we believe approximately [     ] percent of Masco's outstanding common stock is held by index funds. Because we do not expect our common stock to be included in the Standard & Poor's 500 Index, and it may not be included in other stock indices upon the completion of the Separation, index funds currently holding shares of Masco common stock will likely be required to sell the shares of our common stock they receive upon completion of the Separation. There may not be sufficient new buying interest to offset sales by those index funds. Accordingly, our common stock could experience a high level of volatility immediately following the distribution and, as a result, the price of our common stock could be adversely affected.

***Provisions in our certificate of incorporation and bylaws and certain provisions of Delaware law could delay or prevent a change in control of us.***

The existence of some provisions of our certificate of incorporation and bylaws and Delaware law could discourage, delay or prevent a change in control of us that a stockholder may consider favorable. These include provisions:

- providing for a classified board of directors;
- providing that our directors may be removed by our stockholders only for cause;
- establishing supermajority vote requirements for our stockholders to amend certain provisions of our certificate of incorporation and our bylaws;
- authorizing a large number of shares of stock that are not yet issued, which could have the effect of preventing or delaying a change in control if our board of directors issued shares to persons that did not support such change in control, or which could be used to dilute the stock ownership of persons seeking to obtain control of us;
- prohibiting stockholders from calling special meetings of stockholders or taking action by written consent; and
- establishing advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted on by stockholders at the annual stockholder meetings.

In addition, we are subject to Section 203 of the Delaware General Corporation Law, which may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that could have resulted in a premium over the market price for shares of our common stock.

These provisions apply even if a takeover offer may be considered beneficial by some stockholders and could delay or prevent an acquisition that our board of directors determines is not in our and our stockholders' best interests. See "Description of Capital Stock."

***We may issue preferred stock with terms that could dilute the voting power or reduce the value of our common stock.***

Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, powers, preferences and relative, participating, optional and other rights, and such qualifications, limitations or restrictions as our board of directors generally may determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or dividend, distribution or liquidation preferences we could assign to holders of preferred stock could affect the residual value of the common stock. See "Description of Capital Stock—Preferred Stock."

***Our bylaws designate a state or federal court located within the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a preferred judicial forum for disputes with us or our directors, officers or other employees.***

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of Delaware General Corporation Law, our certificate of incorporation (including any certificate of designations for any class or series of our preferred stock) or our bylaws, in each case, as amended from time to time, or (iv) any action asserting a claim governed by the internal affairs doctrine, shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have received notice of and consented to the foregoing provision. This forum selection provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable or cost-effective for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees.

***We may not achieve the intended benefits of having an exclusive forum provision if it is found to be unenforceable.***

We have included an exclusive forum provision in our bylaws as described above. However, the enforceability of similar exclusive jurisdiction provisions in other companies' bylaws or certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any action, a court could find the exclusive jurisdiction provision contained in our bylaws to be inapplicable or unenforceable in such action. Although in June 2013 the Delaware Court of Chancery upheld the statutory and contractual validity of exclusive forum-selection bylaw provisions, the validity of such provisions is not yet settled law under the laws of Delaware. Furthermore, the Delaware Court of

Chancery emphasized that such provisions may not be enforceable under circumstances where they are found to operate in an unreasonable or unlawful manner or in a manner inconsistent with a board's fiduciary duties. Also, it is uncertain whether non-Delaware courts consistently will enforce such exclusive forum-selection bylaw provisions. If a court were to find our choice of forum provision inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions and we may not obtain the benefits of limiting jurisdiction to the courts selected.

***We do not expect to declare any dividends in the foreseeable future.***

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not invest in our common stock.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and in other sections of this Information Statement that reflect our views about future performance. You can identify these statements by forward-looking words such as "believe," "anticipate," "appear," "may," "might," "will," "should," "intend," "plan," "estimate," "expect," "assume," "seek," "forecast," "anticipates," "appears," "believes," "estimates," "predicts," "potential" or "continue," the negative of these terms and other similar references to future periods. These views involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in our forward-looking statements. We caution you against relying on any of these forward-looking statements. Our future performance may be affected by our reliance on residential new construction, residential repair/remodel and commercial construction, our reliance on third-party suppliers and manufacturers, our ability to attract, develop and retain talented personnel and our sales and labor force, our ability to maintain consistent practices across our locations, our ability to maintain our competitive position, and our ability to realize the expected benefits of the Separation. We discuss many of the risks we face under the caption entitled "Risk Factors." Our forward-looking statements in this Information Statement speak only as of the date of this Information Statement. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update publicly any forward-looking statements as a result of new information, future events or otherwise.

## THE SEPARATION

### General

In September 2014, the Masco board of directors approved a plan to distribute to its stockholders all of the shares of common stock of TopBuild through the Separation. TopBuild is currently a wholly owned subsidiary of Masco and at the time of the distribution will hold, through its subsidiaries, the assets and liabilities associated with Masco's Services Business. The Separation will be achieved through the distribution of 100% of the outstanding capital stock of TopBuild to holders of Masco common stock on the record date of [ · · ], 2015. Masco holders of record will receive one share of TopBuild common stock for every [ · · ] shares of Masco common stock. The distribution is expected to be completed on [ · · ], 2015. Immediately following the distribution, Masco stockholders as of the record date will own 100% of the outstanding shares of common stock of TopBuild. Following the Separation, TopBuild will be an independent, publicly traded company, and Masco will retain no ownership interest in TopBuild.

As defined in this Information Statement, "Services Business" refers to Masco's businesses comprising its Installation and Other Services segment, as reported in Masco's periodic reports filed with the Securities and Exchange Commission (the "SEC"), that distribute and install building products primarily for residential new construction, residential repair/remodel and commercial construction, throughout the United States. The assets and liabilities of the Services Business relate to a nationwide network of branches and distribution centers, as well as its customer and supplier relationships. See "Business" for more information.

As part of the Separation, we will enter into a Separation and Distribution Agreement and several other agreements to effect the Separation and provide a framework for our relationship with Masco after the Separation. These agreements will provide for the allocation between us and Masco of the assets, liabilities and obligations of Masco and its subsidiaries, and will govern the relationship between TopBuild and Masco after the Separation. In addition to the Separation and Distribution Agreement, the other principal agreements to be entered into with Masco include:

- a Tax Matters Agreement;
- a Transition Services Agreements; and
- an Employee Matters Agreement.

The Separation of TopBuild from Masco as described in this Information Statement is subject to the satisfaction or waiver of certain conditions. We cannot provide any assurances Masco will complete the Separation. For a more detailed description of these conditions, see "Conditions to the Distribution" below.

### Background and Reasons for the Separation

The Masco board of directors regularly reviews the various strategies and operations of each of its businesses to ensure that resources are deployed and activities are pursued in a manner believed to be in the best interests of Masco's stockholders. As part of its review process, the Masco board of directors, with input and advice from Masco's senior management and other advisors, evaluates different alternatives, including potential opportunities for dispositions, acquisitions, business combinations and separations, with the goal of enhancing stockholder value.

In early 2014, with Masco's transition to a new chief executive officer, Masco's management and the Masco board of directors took a more detailed look at Masco's businesses, both individually and collectively. Working with the Masco board of directors, Masco's management made the determination to become more focused on Masco's building products companies, where brands, manufacturing and innovation are more critical business drivers. A strategic transaction involving the Services Business was

thus one of the alternatives that the Masco board of directors considered as part of its strategic review process in the summer of 2014. As part of this evaluation, the Masco board of directors considered a number of potential transactions, including a spin-off, disposition and an initial public offering of the Services Business. The Masco board of directors also considered a number of other factors, including the strategic focus and flexibility of each of Masco's businesses, the ability of the Services Business and Masco's other businesses to compete and operate efficiently and effectively as separate public companies, the financial profile of the Services Business and Masco's other businesses, the potential reaction of investors and the timing and the probability of successful execution of the various alternatives considered and the risks associated with those alternatives.

During September of 2014, the Masco board of directors continued to evaluate strategic alternatives, including a separation of the Services Business from Masco's other businesses. As a result of this evaluation, after considering the differences in the businesses and various other factors in light of the businesses at that time, together with input from its financial advisor, Greenhill & Co., Inc. and its outside counsel, Davis Polk & Wardwell LLP, the Masco board of directors determined that proceeding with the Separation at this time would be in the best interests of Masco and its stockholders.

Specifically, the Masco board of directors concluded that the Separation will provide Masco and TopBuild with a number of opportunities and benefits, including the following:

- **Strategic and Management Focus.** Permit the management team of each company to focus on its own strategic priorities with financial targets that best fit its own business and opportunities. We believe the Separation will enable each company's management teams to better position its business to capitalize on developing trends in its business, increase managerial focus to pursue its individual strategies, and leverage its key strengths to drive performance. The management of each resulting corporate group will be able to concentrate on its core concerns and growth opportunities, and will have increased flexibility to design and implement corporate policies and strategies based on the characteristics of its business.
- **Investor Choice.** Provide investors, both current and prospective, with the ability to value the two companies based on their distinct business characteristics and make more targeted investment decisions based on those characteristics. Separating the two businesses will provide investors with a more targeted investment opportunities. As a result, the Separation may result in a combined post-Separation trading value in excess of the current trading value of Masco.
- **Resource Allocation and Capital Deployment.** Allow each company to allocate resources and deploy capital in a manner consistent with its own priorities. The Services Business has operating characteristics and end customers that are different than Masco's other businesses, resulting in distinct business models, competitive positions and available growth opportunities. The Separation will enable each company's management team to implement a capital structure, dividend policy and growth strategy tailored to each unique business. Both businesses are expected to have direct access to the debt and equity capital markets to fund their respective growth strategies.

The financial terms of the Separation, including the new indebtedness expected to be incurred by TopBuild or entities that are, or will become, prior to the completion of the Separation, subsidiaries of TopBuild, and the amount of the cash distribution to Masco has been determined by the Masco board of directors based on a variety of factors, including establishing an appropriate pro forma capitalization for TopBuild as a stand-alone company considering the historical earnings of Masco's Services Business and the level of indebtedness relative to earnings of various comparable companies.

### **The Number of Shares You Will Receive**

For every [    ] shares of Masco common stock you own at 5:00 p.m. Eastern time on [    ], 2015, the record date, you will receive one share of TopBuild common stock on the distribution date for the Separation.

### **Treatment of Fractional Shares**

The distribution agent will not distribute any fractional shares of our common stock to Masco stockholders. Instead, as soon as practicable on or after the distribution date for the Separation, the distribution agent for the distribution will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing prices and distribute the net cash proceeds from the sales, net of brokerage fees and commissions, transfer taxes and other costs and after making appropriate deductions of the amounts required to be held for United States federal income tax purposes, if any, pro rata to each holder who would otherwise have been entitled to receive a fractional share in the distribution. The distribution agent will determine when, how, through which broker-dealers and at what prices to sell the aggregated fractional shares. Recipients of cash in lieu of fractional shares will not be entitled to any interest on the amounts of payments made in lieu of fractional shares. The receipt of cash in lieu of fractional shares generally will be taxable to the recipient stockholders for U.S. federal income tax purposes as described below in "Material U.S. Federal Income Tax Consequences of the Separation."

### **When and How You Will Receive the Distribution of TopBuild Shares**

Masco will distribute the shares of our common stock on [    ], 2015 to holders of record on the record date. The distribution is expected to be completed following the NYSE market closing on the distribution date for the Separation. Masco's transfer agent and registrar, Computershare Trust Company, N.A. ("Computershare"), is expected to serve as transfer agent and registrar for the TopBuild common stock and as distribution agent in connection with the distribution.

If you own Masco common stock as of 5:00 p.m. Eastern time on the record date, the shares of TopBuild common stock that you are entitled to receive in the distribution will be issued electronically, as of the distribution date for the Separation, to your account as follows:

- *Registered Stockholders.* If you own your shares of Masco stock directly, either in book-entry form through an account at Computershare and/or if you hold paper stock certificates, you will receive your shares of TopBuild common stock by way of direct registration in book-entry form. Registration in book-entry form is a method of recording stock ownership when no physical paper share certificates are issued to stockholders, as is the case in this distribution.

On or shortly after the distribution date for the Separation, the distribution agent will mail to you an account statement that indicates the number of shares of TopBuild common stock that have been registered in book-entry form in your name.

Stockholders having any questions concerning the mechanics of having shares of our common stock registered in book-entry form may contact Computershare at the address set forth in "Summary—Questions and Answers About the Separation and Distribution" in this Information Statement.

- *Beneficial Stockholders.* Many Masco stockholders hold their shares of Masco common stock beneficially through a bank or brokerage firm. In such cases, the bank or brokerage firm would be said to hold the stock in "street name" and ownership would be recorded on the bank or brokerage firm's books. If you hold your Masco common stock through a bank or brokerage firm, your bank or brokerage firm will credit your account for the shares of TopBuild common stock that you are entitled to receive in the distribution. If you have any questions concerning



the mechanics of having shares of common stock held in "street name," we encourage you to contact your bank or brokerage firm.

### **Treatment of Outstanding Compensation Awards**

For a discussion of provisions concerning retirement, health and welfare benefits to our employees upon completion of the separation, see "Employee Matters Agreement" below. The Separation is not a change-in-control and therefore will not entitle TopBuild officers to any change-in-control benefits.

Incentive compensation awards generally will be treated as follows:

- Outstanding vested Masco stock options held by employees of TopBuild will remain Masco stock options and such employees will have the period of time following their separation with Masco as set forth in their award agreement to exercise these adjusted options.
- Outstanding unvested Masco stock options and restricted stock held by employees of TopBuild will be forfeited upon separation from service with Masco and replaced with TopBuild long-term incentive awards of generally equivalent value.

### **Treatment of Shares Held in 401(k) Plans**

The treatment of outstanding Masco common stock held in tax-qualified defined contribution retirement plans maintained by Masco will be subject to the same treatment as other outstanding shares of Masco common stock.

### **Results of the Separation**

After the Separation, we will be an independent, publicly traded company. Immediately following the Separation, we expect to have approximately [     ] stockholders of record, based on the number of registered stockholders of Masco common stock on [     ], 2015, and approximately [     ] shares of TopBuild common stock outstanding. The actual number of shares to be distributed will be determined on the record date.

Before the completion of the Separation, we will enter into a Separation and Distribution Agreement and several other agreements with Masco to effect the Separation and provide a framework for our relationship with Masco after the Separation. These agreements will provide for the allocation between TopBuild and Masco of Masco's assets, liabilities and obligations subsequent to the Separation (including with respect to transition services, employee matters, tax matters and certain other commercial relationships).

For a more detailed description of these agreements, see the section entitled "Agreements with Masco" included below. The distribution will not affect the number of outstanding shares of Masco common stock or any rights of Masco stockholders.

### **Incurrence of Debt**

We intend to enter into new financing arrangements in anticipation of the Separation. We expect to incur \$200 million of indebtedness under a bank term loan, which we intend to use in part to fund a cash distribution to Masco immediately prior to the Separation. We also expect to enter into a \$100 million to \$150 million credit facility for working capital and other general corporate purposes. We will provide more information about these financing arrangements in an amendment to the Form 10 of which this Information Statement forms a part.

## Material U.S. Federal Income Tax Consequences of the Separation

The following is a discussion of the material U.S. federal income tax consequences of the Separation to U.S. Holders (as defined below) of Masco common stock. This discussion is based on the Code, applicable Treasury regulations, administrative interpretations and court decisions as in effect as of the date of this prospectus, all of which may change, possibly with retroactive effect. For purposes of this discussion, a "U.S. Holder" is a beneficial owner of Masco common stock that is for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion addresses only the consequences of the Separation to U.S. Holders that hold Masco common stock as a capital asset. It does not address all aspects of U.S. federal income taxation that may be important to a U.S. Holder in light of that shareholder's particular circumstances or to a U.S. Holder subject to special rules, such as:

- a financial institution, regulated investment company or insurance company;
- a tax-exempt organization;
- a dealer or broker in securities, commodities or foreign currencies;
- a shareholder that holds Masco common stock as part of a hedge, appreciated financial position, straddle, conversion, or other risk reduction transaction;
- a shareholder that holds Masco common stock in a tax-deferred account, such as an individual retirement account; or
- a shareholder that acquired Masco common stock pursuant to the exercise of options or similar derivative securities or otherwise as compensation.

If a partnership, or any entity treated as a partnership for U.S. federal income tax purposes, holds Masco common stock, the tax treatment of a partner in such partnership generally will depend on the status of the partners and the activities of the partnership. A partner in a partnership holding Masco common stock should consult its tax advisor.

This discussion of material U.S. federal income tax consequences is not a complete analysis or description of all potential U.S. federal income tax consequences of the Separation. This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. In addition, it does not address any U.S. federal, estate, gift or other non-income tax or any foreign, state or local tax consequences of the Separation. **Accordingly, each holder of Masco common stock should consult his, her or its tax advisor to determine the particular U.S. federal, state or local or foreign income or other tax consequences of the Separation to such holder.**

### *Tax Opinions*

The consummation of the Separation, along with certain related transactions, is conditioned upon the receipt of an opinion of tax counsel substantially to the effect that the Separation, together with certain related transactions, will qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and a tax-free distribution within the meaning of Section 355 of the Code (a "Tax Opinion"). In rendering the Tax Opinion given as of the date of this registration

statement (the "Registration Statement Tax Opinion"), tax counsel has relied, and in rendering the Tax Opinion to be given as of the closing of the Separation (the "Closing Tax Opinion"), will rely, on (i) customary representations and covenants made by us and Masco, including those contained in certificates of officers of us and Masco, and (ii) specified assumptions, including an assumption regarding the completion of the Separation and certain related transactions in the manner contemplated by the transactions agreements. In addition, tax counsel has assumed in rendering the Registration Statement Tax Opinion, and tax counsel's ability to provide the Closing Date Tax Opinion will depend on, the absence of changes in existing facts or law between the date of this registration statement and the closing date of the Separation. If any of those representations, covenants or assumptions is inaccurate, tax counsel may not be able to provide the Closing Tax Opinion or the tax consequences of the Separation could differ from those described below. An opinion of tax counsel does not preclude the IRS or the courts from adopting a contrary position. Masco does not intend to obtain a ruling from the IRS on the tax consequences of the Separation or any of the related transactions.

### *The Separation*

Assuming that the Separation, together with certain related transactions, will qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and a tax-free distribution within the meaning of Section 355 of the Code, in general, for U.S. federal income tax purposes:

- the Separation will not result in the recognition of income, gain or loss to Masco or us;
- no gain or loss will be recognized by, and no amount will be included in the income of, U.S. Holders of Masco common stock upon the receipt of our common stock;
- the aggregate tax basis of the shares of our common stock distributed in the Separation to a U.S. Holder of Masco common stock will be determined by allocating the aggregate tax basis such U.S. Holder has in the shares of Masco common stock immediately before such Separation between such Masco common stock and our common stock in proportion to the relative fair market value of each immediately following the Separation;
- the holding period of any shares of our common stock received by a U.S. Holder of Masco common stock in the Separation will include the holding period of the shares of Masco common stock held by a U.S. Holder prior to the Separation; and
- a U.S. Holder of Masco common stock that receives cash in lieu of a fractional share of our common stock will recognize capital gain or loss, measured by the difference between the cash received for such fractional share and the U.S. Holder's tax basis in that fractional share, determined as described above, and such gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period for such fractional share is more than one year as of the closing date of the Separation.

If one share of our common stock is received with respect to more than one share of Masco common stock, the basis of each share of Masco common stock must be allocated to a segment of a share of our common stock received with respect thereto. The allocations must be made for all shares in proportion to their relative fair market values in a manner that reflects, to the greatest extent possible, that a share of our common stock is received with respect to shares of Masco common stock acquired on the same date and at the same price. To the extent this is not possible, the allocations must be made in a manner that minimizes the disparity in the holding periods of shares of Masco common stock whose basis is allocated to any particular share of our common stock. As a result, one segment of a share of our common stock may have a basis and holding period that differs from another segment of the same share.

In general, if the Separation does not qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and a tax-free distribution within the meaning of Section 355 of the Code, the Separation will be treated as a taxable dividend to holders of Masco common stock in an amount equal to the fair market value of our common stock received, to the extent of such holder's ratable share of Masco's earnings and profits. In addition, if the Separation does not qualify as a tax-free transaction under Sections 368(a)(1)(D) and 355 of the Code, Masco will recognize taxable gain, which could result in significant tax to Masco.

Even if the Separation were otherwise to qualify as a tax-free transaction under Sections 368(a)(1)(D) and 355 of the Code, the Separation will be taxable to Masco under Section 355(e) of the Code if 50% or more of either the total voting power or the total fair market value of the stock of Masco or our common stock is acquired as part of a plan or series of related transactions that includes the Separation. If Section 355(e) applies as a result of such an acquisition, Masco would recognize taxable gain as described above, but the Separation would generally be tax-free to you. Under some circumstances, the Tax Matters Agreement would require us to indemnify Masco for the tax liability associated with the taxable gain. See "Agreements with Masco—Tax Matters Agreement."

Under the Tax Matters Agreement, we will generally be required to indemnify Masco for the resulting taxes in the event that the Separation and/or related transactions fail to qualify for their intended tax treatment due to any action by us or any of our subsidiaries (see "Agreements with Masco—Tax Matters Agreement"). If the Separation were to be taxable to Masco, the liability for payment of such tax by Masco or by us under the Tax Matters Agreement could have a material adverse effect on Masco or us, as the case may be.

#### ***Information Reporting and Backup Withholding***

U.S. Treasury regulations generally require holders who own at least five percent of the total outstanding stock of Masco (by vote or value) and who receive our common stock pursuant to the Separation to attach to their U.S. federal income tax return for the year in which the Separation occurs a detailed statement setting forth certain information relating to the tax-free nature of the Separation. Masco and/or we will provide the appropriate information to each holder upon request, and each such holder is required to retain permanent records of this information.

In addition, payments of cash to a U.S. Holder of Masco common stock in lieu of fractional shares of our common stock in the Separation may be subject to information reporting, unless the U.S. Holder provides the withholding agent with proof of an applicable exemption. Such payments that are subject to information reporting may also be subject to backup withholding, unless such U.S. Holder provides the withholding agent with a correct taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding does not constitute an additional tax, but merely an advance payment, which may be refunded or credited against a U.S. Holder's U.S. federal income tax liability, provided the required information is timely supplied to the IRS.

#### **Appraisal Rights**

No Masco stockholder will have any appraisal rights in connection with the Separation.

#### **Listing and Trading of Our Common Stock**

As of the date of this information statement, there is no public market for our common stock. We expect to apply for listing of our common stock on the NYSE under the symbol "BLD."

### Trading Between Record Date and Distribution Date

Beginning on [     ], 2015 and continuing up to and including the distribution date for the Separation, we expect there will be two markets in Masco common stock: a "regular-way" market and an "ex-distribution" market. Shares of Masco common stock that trade on the "regular-way" market will trade with an entitlement to receive shares of TopBuild common stock in the distribution. Shares that trade on the "ex-distribution" market will trade without an entitlement to receive shares of TopBuild common stock in the distribution. Therefore, if you sell shares of Masco common stock in the "regular-way" market after 5:00 p.m. Eastern time on the record date and up to and including through the distribution date, you will be selling your right to receive shares of TopBuild common stock in the distribution. If you own shares of Masco common stock at 5:00 p.m. Eastern time on the record date and sell those shares in the "ex-distribution" market, up to and including through the distribution date, you will still receive the shares of TopBuild common stock that you would be entitled to receive in respect of your ownership, as of the record date, of the shares of Masco common stock that you sold.

Furthermore, beginning on [     ], 2015 and continuing up to and including the distribution date for the Separation, we expect there will be a "when-issued" market in our common stock. "When-issued" trading refers to a sale or purchase made conditionally because the security has been authorized but not yet issued. The "when-issued" trading market will be a market for shares of TopBuild common stock that will be distributed to Masco stockholders on the distribution date. If you own shares of Masco common stock at 5:00 p.m. Eastern time on the record date, you would be entitled to receive shares of our common stock in the distribution. You may trade this entitlement to receive shares of TopBuild common stock, without trading the shares of Masco common stock you own, in the "when-issued" market. On the first trading day following the distribution date, we expect "when-issued" trading with respect to TopBuild common stock will end and "regular-way" trading in TopBuild common stock will begin.

### Conditions to the Distribution

We expect the distribution will be effective on [     ], 2015, the distribution date for the Separation, provided that, among other conditions described in the Separation and Distribution Agreement, the following conditions shall have been satisfied or waived by Masco in its sole discretion:

- the Masco board of directors will be satisfied that the distribution will be made out of surplus within the meaning of Section 170 of the Delaware General Corporation Law;
- the Masco board of directors will have approved the Separation and will not have abandoned the Separation or terminated the Separation and Distribution Agreement at any time prior to the distribution;
- the Separation-related restructuring transactions contemplated by the Separation and Distribution Agreement (the "Restructuring Transactions") will have been completed;
- the SEC will have declared effective our registration statement on Form 10, of which this Information Statement is a part, under the Exchange Act, no stop order suspending the effectiveness of our Form 10 registration statement will be in effect, and no proceedings for such purpose will be pending before or threatened by the SEC, and this Information Statement will have been mailed to the holders of Masco common stock as of the record date;
- all actions and filings necessary or appropriate under applicable federal, state or foreign securities or "blue sky" laws and the rules and regulations thereunder will have been taken and, where applicable, become effective or accepted;
- our common stock to be delivered in the distribution will have been approved for listing on the NYSE, subject to official notice of issuance;

- the TopBuild board of directors, as named in this Information Statement, will have been duly elected, and the certificate of incorporation and bylaws of TopBuild, in substantially the form attached as exhibits to the registration statement of which this Information Statement is a part, will be in effect;
- each of the ancillary agreements contemplated by the Separation and Distribution Agreement will have been executed and delivered by the parties thereto;
- Masco will have received an opinion of counsel, reasonably satisfactory to Masco, to the effect that, for U.S. federal income tax purposes, the Restructuring Transactions and the distribution of the TopBuild common stock will qualify as a tax-free "reorganization" within the meaning of Section 368(a)(1)(D) of the Code and a tax-free distribution within the meaning of Section 355 of the Code;
- no applicable law will have been adopted, promulgated or issued that prohibits the consummation of the distribution or any of the transactions contemplated by the Separation and Distribution Agreement;
- any material governmental approvals and consents and any material permits, registrations and consents from third parties, in each case, necessary to effect the distribution and to permit the operations of the TopBuild business after the distribution date substantially as conducted as of the date of the Separation and Distribution Agreement will have been obtained;
- a credit facility will have been made available to TopBuild by its lenders on terms and in amount satisfactory to Masco;
- no event or development will have occurred or exist that, in the judgment of the Masco board of directors, in its sole discretion, makes it inadvisable to effect the distribution or other transactions contemplated by the Separation and Distribution Agreement.

The fulfillment of the foregoing conditions will not create any obligations on Masco's part to effect the Separation, and the Masco board of directors has reserved the right, in its sole discretion, to abandon, modify or change the terms of the Separation, including by accelerating or delaying the timing of the consummation of all or part of the distribution, at any time prior to the distribution date.

#### **Agreements with Masco**

As part of our Separation from Masco, we will enter into a Separation and Distribution Agreement and several other agreements with Masco to effect the Separation and provide a framework for our relationships with Masco after the Separation. These agreements will provide for the allocation between us and Masco of the assets, liabilities and obligations of Masco and its subsidiaries, and will govern the relationships between TopBuild and Masco subsequent to the Separation (including with respect to transition services, employee matters, tax matters and certain other commercial relationships).

In addition to the Separation and Distribution Agreement (which will contain many of the key provisions related to our Separation from Masco and the distribution of our shares of common stock to Masco stockholders), these agreements include, among others:

- a Tax Matters Agreement;
- a Transition Services Agreements; and
- an Employee Matters Agreement.

The forms of the principal agreements described below have been filed as exhibits to the registration statement on Form 10 of which this Information Statement is a part. The following

descriptions of these agreements are summaries of the material terms of these agreements; for the complete text of the forms of these agreements, please see the filed exhibits.

### ***Separation and Distribution Agreement***

The Separation and Distribution Agreement will govern the overall terms of the Separation. Generally, the Separation and Distribution Agreement will include Masco's and our agreements relating to the restructuring steps to be taken to complete the Separation, including the assets and rights to be transferred, liabilities to be assumed and related matters.

Subject to the receipt of required governmental and other consents and approvals and the satisfaction of other closing conditions, in order to accomplish the Separation, the Separation and Distribution Agreement will provide for Masco and us to transfer specified assets between the companies that will operate the Services Business after the distribution, on the one hand, and Masco's remaining businesses, on the other hand. The Separation and Distribution Agreement will require Masco and us to use reasonable efforts to obtain consents, approvals and amendments required to novate or assign the assets and liabilities that are to be transferred pursuant to the Separation and Distribution Agreement.

Unless otherwise provided in the Separation and Distribution Agreement or any of the related ancillary agreements, all assets will be transferred on an "as is, where is" basis. Generally, if the transfer of any assets or any claim or right or benefit arising thereunder requires a consent that will not be obtained before the distribution for the Separation, or if the transfer or assignment of any such asset or such claim or right or benefit arising thereunder would be ineffective or would adversely affect the rights of the transferor thereunder so that the intended transferee would not in fact receive all such rights, each of Masco and TopBuild will cooperate in a mutually agreeable arrangement under which the intended transferee would obtain the benefits and assume the obligations thereunder (including by sub-contract, sub-license or sub-lease to such transferee) or under which the transferor would enforce for the benefit of the transferee, with the transferee assuming the transferor's obligations, the rights of the transferor against any third party.

The Separation and Distribution Agreement will specify those conditions that must be satisfied or waived by Masco prior to the completion of the Separation. In addition, Masco will have the right to determine the date and terms of the Separation, and will have the right, at any time until completion of the distribution, to determine to abandon or modify the distribution and to terminate the Separation and Distribution Agreement.

In addition, the Separation and Distribution Agreement will govern the treatment of indemnification, insurance and litigation responsibility and management. Generally, the Separation and Distribution Agreement will provide for uncapped cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our business with us and financial responsibility for the obligations and liabilities of Masco's retained businesses with Masco. The Separation and Distribution Agreement will also establish procedures for handling claims subject to indemnification and related matters.

### ***Tax Matters Agreement***

In connection with the Separation (together with certain related transactions), we and Masco will enter into a Tax Matters Agreement that will govern the parties' respective rights, responsibilities and obligations with respect to taxes, including taxes arising in the ordinary course of business, and taxes, if any, incurred as a result of any failure of the Separation (or certain related transactions) to qualify as tax-free for U.S. federal income tax purposes. The Tax Matters Agreement will also set forth the respective obligations of the parties with respect to the filing of tax returns, the administration of tax contests and assistance and cooperation on tax matters.

In general, the Tax Matters Agreement will govern the rights and obligations that we and Masco have after the Separation with respect to taxes for both pre- and post-closing periods. Under the Tax Matters Agreement, Masco generally will be responsible for all of our pre-Separation income taxes that are reported on combined tax returns with Masco or any of its affiliates after the Separation. We will generally be responsible for all other income taxes and all non-income taxes primarily related to our assets and businesses that are due and payable after the Separation.

In the event that the Separation and certain related transactions fail to qualify for their intended tax treatment, in whole or in part, and Masco is subject to tax as a result of such failure, the Tax Matters Agreement will determine whether Masco must be indemnified for any such tax by us. As a general matter, under the terms of the Tax Matters Agreement, we are required to indemnify Masco for any tax-related losses in connection with the Separation due to any action by us or any of our subsidiaries following the Separation. Therefore, in the event that the Separation and/or related transactions fail to qualify for their intended tax treatment due to any action by us or any of our subsidiaries, we will generally be required to indemnify Masco for the resulting taxes.

The Tax Matters Agreement will further provide that:

- Without duplication of our indemnification obligations described in the prior paragraph, we will generally indemnify Masco against (i) taxes for which we are responsible (as described above); and (ii) any liability or damage resulting from a breach by us or any of our affiliates of a covenant made in the Tax Matters Agreement; and
- Masco will indemnify us against taxes for which Masco is responsible (as described above).

In addition to the indemnification obligations described above, the indemnifying party will generally be required to indemnify the indemnified party against any interest, penalties, additions to tax, losses, assessments, settlements or judgments arising out of or incident to the event giving rise to the indemnification obligation, along with costs incurred in any related contest or proceeding.

Further, the Tax Matters Agreement generally will prohibit us and our affiliates from taking certain actions that could cause the Separation and certain related transactions to fail to qualify for their intended tax treatment. In particular:

- from and until the second anniversary of the Separation, neither we nor any of our subsidiaries may sell, exchange, distribute or otherwise dispose of any assets held by us or our subsidiaries, except for assets that, in the aggregate, do not constitute more than 5% of our total assets;
- from and until the second anniversary of the Separation (or otherwise pursuant to a "plan" within the meaning of Section 355(e) of the Code), we may not cause or permit any business combination or transaction which, individually or in the aggregate, could result in one or more persons acquiring directly or indirectly a forty percent (40%) or greater interest in us for purposes of Section 355(e) of the Code;
- from and until the second anniversary of the Separation, we may not discontinue the active conduct of our business (within the meaning of Section 355(b)(2) of the Code);
- from and until the second anniversary of the Separation, we may not sell or otherwise issue our common stock, other than pursuant to issuances that satisfy certain regulatory safe harbors set forth in Treasury Regulations related to stock issued to employees and retirement plans;
- from and until the second anniversary of the Separation, we may not redeem or otherwise acquire any of our common stock, other than pursuant to open-market repurchases of less than 20% of our common stock (in the aggregate);



- from and until the second anniversary of the Separation, we may not amend our certificate of incorporation (or other organizational documents) or take any other action, whether through a stockholder vote or otherwise, affecting the voting rights of our common stock; and
- more generally, we may not take any action that could reasonably be expected to cause the Separation and certain related transactions to fail to qualify as tax-free transactions under Section 368(a)(1)(D) and Section 355 of the Code.

As described above, if we take any of the actions described above and such actions result in the failure of the Separation and certain related transactions to qualify for their intended tax treatment, we will be required to indemnify Masco against tax-related losses suffered in connection with the Separation. The amount of any such potential tax-related losses would generally be a function of the fair market value of our shares, Masco's historical tax basis in our assets and Masco's general tax profile, in each case as of the time of the Separation. Because these facts are unknown at this time and subject to fluctuation and uncertainty, there is significant uncertainty as to the range and amount of any such potential tax liability for which we may be liable. Such amount is not subject to any cap or similar limitation under the Tax Matters Agreement.

The terms of the Tax Matters Agreement have not yet been finalized; changes, some of which may be material, may be made to the terms of the Tax Matters Agreement before it is finalized, including to the terms described above. You should read the full text of the Tax Matters Agreement, which will be filed with the SEC as an exhibit to the registration statement into which this Information Statement is incorporated.

#### ***Transition Services Agreement***

The Transition Services Agreement will set forth the terms on which Masco will provide to us, and we will provide to Masco, on a transition basis, certain services or functions that the companies historically have shared. Transition services will include various corporate services. We expect the agreement will provide for the provision of specified transition services, generally for a period of up to [     ] months, with a possible extension of [     ] months (an aggregate of [     ] months). Compensation for transition services will be determined using an internal cost allocation methodology based on fully loaded cost (e.g., including an allocation of corporate overhead), or, in certain cases, may be based on terms and conditions comparable to those that would have been arrived at by parties bargaining at arm's-length.

#### ***Employee Matters Agreement***

The Employee Matters Agreement will govern Masco's and our compensation and employee benefit obligations with respect to the current and former employees and non-employee directors of each company, and generally will allocate liabilities and responsibilities relating to employee compensation and benefit plans and programs. The Employee Matters Agreement will provide for the treatment of outstanding Masco equity awards and certain other outstanding annual and long-term incentive awards. The Employee Matters Agreement will provide that, following the distribution for the Separation, our active employees generally will no longer participate in benefit plans sponsored or maintained by Masco and will commence participation in our benefit plans. The Employee Matters Agreement also will set forth the general principles relating to employee matters, including with respect to the assignment of employees, the assumption and retention of liabilities and related assets, expense reimbursements, workers' compensation, leaves of absence, the provision of comparable benefits, employee service credit, the sharing of employee information and the duplication or acceleration of benefits.

The Employee Matters Agreement will also provide that (i) the distribution does not constitute a change in control under Masco's plans, programs, agreements or arrangements and (ii) the distribution

and the assignment, transfer or continuation of the employment of employees with another entity will not constitute a severance event under applicable severance plans, programs, agreements or arrangements. See "Treatment of Outstanding Compensation Awards" for the treatment of Masco stock options and restricted stock awards.

### **Transferability of Shares of Our Common Stock**

The shares of our common stock that you will receive in the distribution for the Separation will be freely transferable, unless you are considered an "affiliate" of ours under Rule 144 under the Securities Act. Persons who can be considered our affiliates after the separation generally include individuals or entities that directly, or indirectly through one or more intermediaries, control, are controlled by or are under common control with us, and may include certain of our officers and directors. In addition, individuals who are affiliates of Masco on the distribution date may be deemed to be affiliates of ours. We estimate that our directors and executive officers, who may be considered "affiliates" for purposes of Rule 144, will beneficially own approximately [    ] shares of our common stock immediately following the distribution. See "Ownership of Our Stock" included elsewhere in this Information Statement for more information. Our affiliates may sell shares of our common stock received in the distribution only:

- under a registration statement that the SEC has declared effective under the Securities Act; or
- under an exemption from registration under the Securities Act, such as the exemption afforded by Rule 144.

In general, under Rule 144 as currently in effect, an affiliate will be entitled to sell, within any three-month period, a number of shares of our common stock that does not exceed the greater of:

- one percent of our common stock then outstanding; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 for the sale.

Rule 144 also includes notice requirements and restrictions governing the manner of sale for sales by our affiliates. Sales may not be made under Rule 144 unless certain information about us is publicly available.

### **Reason for Furnishing This Information Statement**

This Information Statement is being furnished solely to provide information to Masco stockholders who are entitled to receive shares of our common stock in the distribution. The Information Statement is not, and is not to be construed as, an inducement or encouragement to buy, hold or sell any of our securities. We believe the information contained in this Information Statement is accurate as of the date set forth on the cover. Changes may occur after that date and neither Masco nor we undertake any obligation to update such information except in the normal course of our respective public disclosure obligations.

## **DIVIDEND POLICY**

We do not currently anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Moreover, the declaration and amount of all dividends to holders of our common stock will be at the discretion of our board of directors and will depend upon many factors, including our financial condition, earnings, cash flows, capital requirements of our business, covenants associated with our debt obligations, legal requirements, regulatory constraints, industry practice and other factors the board of directors deems relevant.

We are a holding company and have no direct operations. As a result, we will be able to pay dividends on our common stock only from available cash on hand and distributions received from our subsidiaries. There can be no assurance we will continue to pay any dividend even if we commence the payment of dividends.

## CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2014:

- on an actual basis; and
- on a pro forma basis assuming the Separation, the incurrence of debt and other matters (as discussed in "The Separation") was effective December 31, 2014.

The pro forma adjustments are based upon available information and assumptions that management believes are reasonable; however, such adjustments are subject to change based on the finalization of the terms of the Separation and the agreements which define our relationship with Masco after the completion of the Separation. In addition, such adjustments are estimates and may not prove to be accurate.

You should read the information in the following table together with "Selected Historical Combined Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Unaudited Pro Forma Combined Financial Statements" and our combined financial statements and the related notes included elsewhere in this Information Statement.

	As of December 31, 2014	
	Actual	Pro Forma
	(in thousands, except share amounts)	
Bank term loan	\$ —	\$ [·]
Stockholders' equity:		
Common stock, \$1.00 par value; no shares authorized, no shares issued and outstanding, actual; [·] shares authorized, [·] shares issued and outstanding, pro forma	—	—
Paid-in capital	—	—
Parent Company investment	952,290	—
Total net investment / equity	\$ 952,290	\$ —
Total capitalization	<u>\$ 952,290</u>	<u>\$ —</u>

## UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The unaudited pro forma combined financial statements presented below have been derived from our historical combined financial statements included in this Information Statement. While the historical combined financial statements reflect the past financial results of Masco's Services Business, these pro forma statements give effect to the separation of that business into an independent, publicly traded company. The pro forma adjustments to reflect the Separation include:

- the distribution of our common stock to Masco stockholders;
- the expected incurrence of an aggregate of \$[     ] million in new debt; and
- the expected cash dividend of \$[     ] million to Masco.

The pro forma adjustments to our combined statement of operations are those which are directly attributable to the Separation, factually supportable and expected to have a continuing impact. The pro forma adjustments to our combined balance sheet are those that are factually supportable and directly attributable to the transaction. The pro forma adjustments are based on available information and assumptions we believe are reasonable; however, such adjustments are subject to change as the costs of operating as a stand-alone company are determined. In addition, such adjustments are estimates and may not prove to be accurate. The unaudited pro forma combined financial statements do not reflect all of the costs of operating as a stand-alone company, including additional information technology, tax, accounting, treasury, legal, investor relations, insurance and other similar expenses associated with operating as a stand-alone company. We believe, however, that historical allocations of Masco's overhead expenses that are reflected in our historical combined statements of operation are reasonable.

Subject to the terms of the Separation and Distribution Agreement, Masco will generally pay all nonrecurring third-party costs and expenses related to the Separation and incurred prior to the completion of the Separation. Such nonrecurring amounts are expected to include costs to separate and/or duplicate information technology systems, investment banker fees (other than fees and expenses in connection with the debt financing), third-party legal and accounting fees, and similar costs in each case, incurred prior to the completion of the Separation. After the completion of the Separation, subject to the terms of the Separation and Distribution Agreement, all costs and expenses related to the Separation incurred by either Masco or us will be borne by the party incurring the costs and expenses.

The unaudited pro forma combined statement of operations for the year ended December 31, 2014 has been prepared as though the Separation occurred on January 1, 2014. The unaudited pro forma combined balance sheet at December 31, 2014 has been prepared as though the separation occurred on December 31, 2014. The unaudited pro forma combined financial statements are for illustrative purposes only, and do not reflect what our financial position and results of operations would have been had the separation occurred on the dates indicated and are not necessarily indicative of our future financial position and future results of operations.

The unaudited pro forma combined financial statements should be read in conjunction with our historical combined financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Information Statement. The unaudited pro forma combined financial statements constitute forward-looking information and are subject to certain risks and uncertainties that could cause actual results to differ materially from those anticipated. See "Special Note Regarding Forward-Looking Statements" included elsewhere in this Information Statement.

# UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

	Year ended December 31, 2014		
	Historical	Pro Forma Adjustments	Pro Forma
	(Dollars in thousands, except per share data)		
Net sales	\$ 1,512,080	\$	\$
Cost of sales	1,180,410		
Gross profit	331,670		
Selling, general and administrative expenses	290,950		
Operating profit	40,720		
Other income (expense), net:			
Interest expense—related party	(12,400)	(A)	
Other, net	20		
	(12,380)		
Income from continuing operations before income taxes	28,340		
Income tax expense	17,840	(B)	
Income from continuing operations	\$ 10,500	\$	\$
Unaudited Pro Forma Earnings Per Share			
Basic			
Diluted			
Average Number of Shares Used in Calculating			
Unaudited Pro Forma Earnings Per Share			
Basic		(C)	
Diluted		(D)	

See notes to unaudited pro forma combined financial data.

**UNAUDITED PRO FORMA COMBINED BALANCE SHEET**

	At December 31, 2014		
	Historical	Pro Forma Adjustments	Pro Forma
	(Dollars in thousands, except per share data)		
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,970	\$ (E)	\$
Receivables, net	220,180	(F)	
Inventories	106,970		
Prepaid expenses and other	5,120		
Total current assets	335,240		
Property and equipment, net	93,160		
Goodwill	1,044,040		
Other intangible assets, net	2,960		
Other assets	1,030		
Total Assets	\$ 1,476,430	\$	\$
LIABILITIES and EQUITY			
Current Liabilities:			
Accounts payable	\$ 228,720	\$	\$
Accrued liabilities	72,750		
Total current liabilities	301,470		
Long-term debt	—	(G)	
Deferred income taxes	182,280		
Other liabilities	40,390		
Total Liabilities	524,140		
Commitments and contingencies			
Equity:			
Common stock, \$1.00 par value	—	(I)	
Paid-in capital	—	(I)	
Parent Company investment	952,290	(I)	
Total Equity	952,290	(H)	
Total Liabilities and Equity	\$ 1,476,430	\$	\$

See notes to unaudited pro forma combined financial statements.

## NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

- (A) Represents adjustments to interest expense and amortization of debt issuance costs related to approximately \$[     ] million of debt that we expect to incur as described in Note (G) below. We expect the interest rate on the debt to be approximately [     ]%. Interest expense may be higher or lower if our actual interest rate or credit ratings change. A 10% change to the annual interest rate would change interest expense by approximately \$[     ] million on an annual basis.
- (B) Reflects the tax effects of the pro forma adjustments at the applicable statutory income tax rate adjusted for the impact of changes in the valuation allowance against deferred tax assets. The effective tax rate of TopBuild could be different (either higher or lower) depending on activities subsequent to the Separation. The impact of pro forma adjustments on long-term deferred tax assets and liabilities was offset against existing long-term deferred tax assets and liabilities reflected in our historical combined balance sheet based on jurisdiction.
- (C) The number of TopBuild common shares used to compute basic earnings per share is based on: (a) the number of TopBuild common shares assumed to be outstanding on the distribution date based on the distribution described in Note (I) below and (b) the assumption that the Separation occurred as of January 1, 2014 and that all shares will remain outstanding during the year.
- (D) The number of shares used to compute diluted earnings per share is based on the number of common shares of TopBuild as described in Note (C) above, plus incremental shares assuming exercise of dilutive outstanding options and restricted stock awards. This calculation may not be indicative of the dilutive effect that will actually result from TopBuild stock-based awards issued in connection with the adjustment of outstanding Masco stock-based awards or the grant of new stock-based awards. The number of dilutive common shares underlying TopBuild stock-based awards issued in connection with the adjustment of outstanding Masco stock-based awards will not be determined until the distribution date or shortly thereafter.
- (E) Reflects a \$[     ] million cash distribution to Masco prior to the Separation based on the assumed net proceeds of the debt described in Note (G) below. The amount of cash proceeds received from debt incurred prior to the Separation, and thus the amount of cash distributed to Masco, will depend on market conditions at the time we incur the debt, which is not certain at this time.
- (F) Accounts receivable due from related parties includes \$[     ] million of trade related party receivables. These receivables may be adjusted to reflect the Separation and Distribution Agreement between the parties that will be effective as of the completion of the Separation.
- (G) Reflects the anticipated incurrence of \$[     ] million of debt, net of estimated debt issuance costs of \$[     ]. We expect the debt to be comprised of long-term debt and other financing arrangements.
- (H) Reflects the pro forma recapitalization of our equity. As of the distribution date, Masco's net investment in our business will be exchanged to reflect the distribution of our common shares to Masco shareholders. Masco shareholders will receive common shares based on an expected distribution ratio of [     ] TopBuild common shares for every one Masco common share.
- (I) Reflects the issuance by us of an assumed [     ] shares of our common stock, par value of \$1.00 per share, to be distributed to holders of record of Masco common stock in connection with the



Separation and the elimination of Parent Company investment and adjustments to capital in excess of par value to reflect the following:

Elimination of Parent Company investment and adjustment to capital in excess of par value:	
Reclassification of Parent Company investment	\$
<b>Total Parent Company investment</b>	
TopBuild common shares issued	
<b>Total capital in excess of par value</b>	\$

## SELECTED HISTORICAL COMBINED FINANCIAL DATA

The following table sets forth selected historical combined financial data that should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined financial statements and notes thereto included in this Information Statement. The combined statements of operations data for the years ended December 31, 2014, 2013 and 2012 and the combined balance sheet data as of December 31, 2014 and 2013 are derived from our audited combined financial statements included in this Information Statement. The combined statements of operations data for the years ended December 31, 2011 and 2010 and the combined balance sheet data as of December 31, 2012, 2011 and 2010 are derived from our unaudited combined financial statements not included in this Information Statement. The selected historical combined financial data in this section is not intended to replace our historical combined financial statements and the related notes thereto. Our historical results are not necessarily indicative of future results.

	2014	2013	2012	2011	2010
			In thousands		
Net sales(1)	\$ 1,512,080	\$ 1,411,530	\$ 1,207,890	\$ 1,076,560	\$ 1,042,830
Operating profit (loss)(1)(2)(3)	\$ 40,720	\$ 24,110	\$ (115,930)	\$ (98,160)	\$ (815,360)
Income (loss) from continuing operations(1)(2)(3)	\$ 10,500	\$ (11,540)	\$ (154,380)	\$ (137,900)	\$ (736,050)
At December 31					
Total assets	\$ 1,476,430	\$ 1,466,950	\$ 1,450,660	\$ 1,451,290	\$ 1,537,450
Equity	\$ 952,290	\$ 1,002,690	\$ 1,026,770	\$ 1,103,650	\$ 1,234,660

- (1) Amounts exclude discontinued operations.
- (2) The year 2012 includes pre-tax litigation settlement charges of \$76 million, primarily related to the Columbus Drywall litigation.
- (3) The year 2010 includes non-cash impairment charges for goodwill aggregating \$586 million after tax (\$697 million pre-tax) in the Installation segment.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The financial and business analysis below provides information which we believe is relevant to an assessment and understanding of our combined financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the combined financial statements and related notes.*

*The following discussion and certain other sections of this Information Statement contain statements reflecting our views about our future performance. Forward-looking statements can be identified by words such as "anticipate," "intend," "plan," "believe," "estimate," "expect," "assume," "seek," "appear," "may," "should," "will," "forecast" and similar references to future periods. These views involve risks and uncertainties that are difficult to predict and, accordingly, our actual results may differ materially from the results discussed in such forward-looking statements. We caution you against relying on any of these forward-looking statements. In addition to the various factors included in "—Overview," "—Critical Accounting Policies and Estimates" and "—Material Trends in Our Business" sections, our future performance may be affected by our reliance on residential new construction, residential repair/remodel and commercial construction, our reliance on third-party suppliers and manufacturers, our ability to attract, develop and retain talented personnel and our sales and labor force, our ability to maintain consistent practices across our locations, our ability to maintain our competitive position, and our ability to realize the expected benefits of the Separation. These and other factors are discussed in detail under the caption "Risk Factors" of this Information Statement. Any forward-looking statement made by us speaks only as of the date on which it was made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Unless required by law, we undertake no obligation to update publicly any forward-looking statements as a result of new information, future events or otherwise.*

### Overview

We are the leading installer and distributor of insulation products to the United States construction industry, based on revenue. We provide insulation installation services nationwide through our Contractor Services business, which has over 190 installation branches located in 43 states. We distribute insulation nationwide through our Service Partners business from our 72 distribution centers located in 35 states. Our installation and distribution business segments represented 64% and 36%, respectively, of our net sales of \$1.5 billion for the year ended December 31, 2014. Our installation and distribution segments serve three lines of business: residential new construction, residential repair/remodel and commercial construction. In addition to insulation products, we also install or distribute other building products, including rain gutters, garage doors, fireplaces, shower enclosures, closet shelving and roofing. Further, we are a leader in building science through, among other things, our Environments For Living® program and our residential home energy rating services.

Our businesses comprise the Masco Corporation Installation and Other Services segment. On September 30, 2014, Masco announced strategic initiatives designed to drive shareholder value, including the Separation of our businesses through a tax-free distribution of our stock to Masco's stockholders. The Separation is expected to be completed in the second half of 2015. For more information, see "The Separation" included elsewhere in this Information Statement. We were incorporated in Delaware in February 2015 as Masco SpinCo Corp. We changed our name to TopBuild Corp. on March 20, 2015. Our Installation Services business, previously known as Masco Contractor Services, has been renamed TruTeam Contractor Services. Our Distribution Services business will still continue to operate under the Service Partners name.

Our results include allocations of general corporate expenses that were incurred by Masco for functions such as corporate human resources, finance and legal, including salaries, benefits and other

related costs. The costs allocated to us for these functions totaled \$22.0 million, \$22.1 million and \$20.9 million for the years ended December 31, 2014, 2013 and 2012, respectively and are included in selling, general and administrative expenses. These expenses have been allocated to TopBuild based on revenues. In addition to the general corporate expenses, Masco incurs actual expenses on behalf of our business that are allocated to us based on direct usage or benefit. These expenses were allocated to our segments based on sales, have been included in segment operating profit (loss) and were \$17.8 million, \$16.0 million and \$20.7 million for the years ended December 31, 2014, 2013 and 2012, respectively. These costs are included in selling, general and administrative expenses. These allocated costs may not reflect the actual expenses that we would have incurred had we operated as a stand-alone company. The actual costs we would have incurred had we operated as a standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

All of our net sales have historically been generated in the United States.

### ***2014 Results***

In 2014, our results were positively affected by increased sales volume of residential new construction and commercial construction activity and increased selling prices. Our sales volume increased across our businesses; our Installation segment contributed sales volume increases of two percent and our Distribution segment contributed sales volume increases of three percent, to our total sales increase, compared to 2013. Selling price increases, primarily in our Installation segment, increased our sales by three percent compared to 2013. Our operating results were positively affected by increased sales volume and a more favorable relationship between selling prices and commodity costs. We also benefitted from our past business rationalizations and other cost savings initiatives, including headcount reductions and a significant ERP system implementation.

### **Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations is based upon our combined financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We regularly review our estimates and assumptions, which are based upon historical experience, as well as current economic conditions and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of certain assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions.

We believe that the following critical accounting policies are affected by significant judgments and estimates used in the preparation of our combined financial statements.

#### ***Revenue Recognition and Receivables***

We recognize revenue as title to products and risk of loss transfers to customers for our Distribution segment. We recognize revenue for our Installation segment on the percentage of completion method of accounting based on the amount of material installed and associated labor costs at our customers' locations compared to the total expected cost for the contract. The amount of revenue recognized for our Installation segment which had not been billed as of December 31, 2014 and 2013 was \$23.6 million and \$24.2 million respectively. We record estimated reductions to revenue for customer programs and incentive offerings, including special pricing and other volume-based

incentives. We maintain allowances for doubtful accounts receivable for estimated losses resulting from the inability of customers to make required payments. In addition, we monitor our customer receivable balances and the credit worthiness of our customers on an on-going basis. During downturns in our markets, declines in the financial condition and creditworthiness of customers impact the credit risk of the receivables involved and we have incurred bad debt expense related to customer defaults.

#### ***Goodwill and Other Intangible Assets***

We record the excess of purchase cost over the fair value of net tangible assets of acquired companies as goodwill or other identifiable intangible assets. In the fourth quarter of each year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, we complete the impairment testing of goodwill utilizing a discounted cash flow method. We selected this methodology because we believe that it is comparable to what would be used by other market participants. We have defined our reporting units and completed the impairment testing of goodwill at the operating segment level, as defined by accounting guidance. Our operating segments are reporting units that engage in business activities for which discrete financial information, including five-year forecasts, is available.

Determining market values using a discounted cash flow method requires us to make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates. Our judgments are based on historical experience, current market trends, consultations with external valuation specialists and other information. While we believe that the estimates and assumptions underlying the valuation methodology are reasonable, changes to estimates and assumptions could result in different outcomes. In estimating future cash flows, we rely on internally generated five-year forecasts for sales and operating profits, including capital expenditures, and generally a one to three percent long-term assumed annual growth rate of cash flows for periods after the five-year forecast. We generally develop these forecasts based upon, among other things, recent sales data for existing products, and estimated U.S. housing starts. In 2014, we utilized estimated U.S. housing starts, from independent industry sources, growing from current levels to 1.45 million units in 2019 (terminal growth year) and operating profit margins improving to approximate historical levels for those reporting units by 2019 (terminal growth year).

If the carrying amount of a reporting unit exceeds its fair value, we measure the possible goodwill impairment based upon an allocation of the estimate of fair value of the reporting unit to all of the underlying assets and liabilities of the reporting unit, including any previously unrecognized intangible assets (Step Two Analysis). The excess of the fair value of a reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is recognized to the extent that a reporting unit's recorded goodwill exceeds the implied fair value of goodwill.

In 2014 and 2013, we did not recognize any impairment charges for goodwill. As of December 31, 2014, net goodwill reflected \$762.0 million of accumulated impairment losses, relating primarily to impairment charges taken in 2008-2010 following the substantial decrease in U.S. housing starts after the financial crisis of 2007-2008.

A ten percent decrease in the estimated fair value of our reporting units at December 31, 2014 would not have resulted in any additional analysis of goodwill impairment for any additional reporting unit.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. We evaluate the remaining useful lives of amortizable identifiable intangible assets at each reporting period to determine whether events and circumstances warrant a revision to the remaining periods of amortization.

## ***Income Taxes***

We applied a method that allocated current and deferred taxes to the members of TopBuild, as if it were a separate taxpayer.

The accounting guidance for income taxes requires that the future realization of deferred tax assets depends on the existence of sufficient taxable income in future periods. Possible sources of taxable income include taxable income in carryback periods, the future reversal of existing taxable temporary differences recorded as a deferred tax liability, tax-planning strategies that generate future income or gains in excess of anticipated losses in the carry-forward period and projected future taxable income.

If, based upon all available evidence, both positive and negative, it is more likely than not (more than 50 percent likely) such deferred tax assets will not be realized, a valuation allowance is recorded. Significant weight is given to positive and negative evidence that is objectively verifiable. A company's three-year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable and the accounting guidance restricts the amount of reliance we can place on projected taxable income to support the recovery of the deferred tax assets.

We have recorded a valuation allowance against our U.S. Federal and certain state deferred tax assets as a non-cash charge to income tax expense. In reaching this conclusion, we considered the significant decline in the residential new construction market, high level of foreclosure activity and the slower than anticipated recovery in the U.S. housing market which led to U.S. operating losses, causing us to be in a three-year cumulative U.S. loss position.

During 2010, 2011 and 2012, objective and verifiable negative evidence, such as continued U.S. operating losses and significant impairment charges for U.S. goodwill in 2010, continued to outweigh positive evidence necessary to reduce the valuation allowance. As a result, we recorded increases in the valuation allowance against our U.S. Federal deferred tax assets as a non-cash charge to income tax expense in 2010, 2011 and 2012.

Although the recent strengthening in residential new construction activity has resulted in profitability in our U.S. operations in 2013 and 2014, we continue to record a full valuation allowance against the U.S. Federal and certain state deferred tax assets as we remained in a three-year cumulative loss position throughout 2013 and 2014.

Should we determine that we would not be able to realize our remaining deferred tax assets in the future, an adjustment to the valuation allowance would be recorded in the period such determination is made. The need to maintain a valuation allowance against deferred tax assets may cause greater volatility in our effective tax rate.

It is reasonably possible that the continued improvements in our U.S. operations could result in the objective positive evidence necessary to warrant the reversal of all or a portion of the valuation allowance by the end of 2015. Until such time, the profits from our U.S. operations will be offset by the net operating loss carryforward.

We file our income tax returns as a member of the Masco consolidated group for federal and certain state jurisdictions. As a result, certain tax attributes, primarily the net operating loss carryforward, are treated as an asset of the Masco group and may be utilized by the Masco group through the end of December 31, 2015, Masco's tax year end. It is anticipated a significant portion and possibly all of our U.S. Federal net operating loss carryforward will be utilized by the Masco consolidated group.

The current accounting guidance allows the recognition of only those income tax positions that have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. We believe that there is an increased potential for volatility in our effective tax rate because this threshold allows changes in the income tax environment and the inherent complexities of income

tax law in a substantial number of jurisdictions to affect the computation of the liability for uncertain tax positions to a greater extent.

While we believe we have adequately assessed for our uncertain tax positions, amounts asserted by taxing authorities could vary from our assessment of uncertain tax positions. Accordingly, provisions for tax-related matters, including interest and penalties, could be recorded in income tax expense in the period revised assessments are made.

### ***Litigation***

We are subject to lawsuits and pending or asserted claims in the ordinary course of our business. Liabilities and costs associated with these matters require estimates and judgments based upon our professional knowledge and experience and that of our legal counsel. When estimates of our exposure for lawsuits and pending or asserted claims meet the criteria for recognition under accounting guidance, amounts are recorded as charges to earnings. The ultimate resolution of these exposures may differ due to subsequent developments.

### **Liquidity and Capital Resources**

Historically, we have largely funded our growth through cash provided by our operations, combined with support from Masco through its operating cash flows, its long-term bank debt and its issuance of securities in the financial markets, including issuances for certain mergers and acquisitions.

Following the Separation, we expect to have access to liquidity through our cash from operations and available borrowing capacity under our anticipated new credit facility. Undrawn capacity under our credit facility, together with other credit facilities we may enter into from time to time, is expected to provide us additional borrowing capacity for working capital and other general corporate purposes. Substantially concurrent with the Separation, we expect to borrow \$200 million under a bank term loan, the proceeds of which will be used to finance a \$200 million cash dividend to Masco in connection with the Separation.

We had cash and cash equivalents of approximately \$3.0 million at both December 31, 2014 and 2013. Our cash and cash equivalents consist of overnight interest bearing money market demand and time deposit accounts.

We occasionally use performance bonds to ensure completion of our work on certain larger customer contracts that can span multiple accounting periods. As of December 31, 2014 and 2013, we had performance bonds outstanding, totaling \$14.1 million and \$11.9 million, respectively. Performance bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. In addition, at December 31, 2014 and 2013, respectively, we had \$5.4 million and \$5.2 million of other types of bonds outstanding, principally license-related.

## Cash Flows

Significant sources and (uses) of cash in the past three years are summarized as follows, in thousands:

	2014	2013	2012
Net cash from (for) operating activities	\$ 71,860	\$ 24,670	\$ (101,920)
Capital expenditures	(13,140)	(14,010)	(11,280)
Net transfer (to) from Parent Company	(60,650)	(18,120)	112,920
Proceeds from disposition of:			
Businesses	—	—	7,360
Property and equipment	1,000	280	1,110
Other, net	880	(540)	(850)
Cash (decrease) increase	<u>\$ (50)</u>	<u>\$ (7,720)</u>	<u>\$ 7,340</u>
Working capital (receivables, net plus inventories, less accounts payable) as a % of net sales	6.5%	8.4%	

We are focused on managing our working capital and cash flows. As of December 31, 2014 and December 31, 2013, our working capital was 6.5% and 8.4% of net sales, respectively. One of our objectives in managing working capital is to reduce working capital as a percentage of net sales. This can be accomplished by a number of factors including timelier collections of accounts receivables or improving payment terms with our suppliers. The reduction in working capital as a percentage of net sales from 2013 to 2014 was the result of increased sales and improved management of accounts receivable and inventory. In addition, accounts payable increased due to improved terms with suppliers and higher material purchased driven by increased customer demand and growth in the Commercial line of business.

Cash provided by operating activities for the year ended December 31, 2014 increased \$47.2 million from the comparable period ended December 31, 2013, primarily attributable to an increase in net earnings of \$22.1 million driven by increased sales volume of residential new construction and commercial construction activity. In addition, cash from operations in 2014 benefited from improved working capital of \$15.6 million.

Net cash used for investing activities in 2014 was \$11.3 million, and included \$13.1 million for capital expenditures. Cash provided by investing activities included primarily \$1.0 million of net proceeds from the disposition of property and equipment.

Cash provided by operating activities for the year ended December 31, 2013 increased \$126.6 million from the comparable period ended December 31 2012, primarily attributable to an increase in net earnings of \$179.4 million, as the loss in 2012 of \$192.1 million was reduced to a loss of \$12.7 million in 2013. The 2012 loss included a charge for litigation settlement of \$76.0 million and a loss on discontinued operations of \$37.7 million. Operating results for 2013 compared to 2012, excluding the 2012 litigation charge, improved by \$64.0 million driven by increased sales volume of residential new construction and commercial construction activity partially offset by a decrease in working capital of \$16.1 million.

Net cash used for investing activities in 2013 was \$14.3 million, and included \$14.0 million for capital expenditures.

Net cash used for operations in 2012 was \$101.9 million consisted primarily of net loss adjusted for non-cash and certain other items, including depreciation and amortization expense of \$29.6 million, a \$40.5 million net change in deferred taxes and \$11.3 million net increase from working capital.



Net cash used for investing activities in 2012 was \$3.7 million, and included \$11.3 million for capital expenditures. Cash provided by investing activities included primarily \$7.4 million of net proceeds from the disposition of businesses and \$1.1 million from the disposition of property and equipment.

For 2015, capital expenditures, excluding any potential 2015 acquisitions, are expected to be approximately \$16.0 million. For 2015, depreciation and amortization expense, excluding any potential 2015 acquisitions, is expected to be approximately \$13.5 million. The decrease in expected depreciation and amortization expense for 2015 is due to lower depreciation related to the software system that was fully depreciated in 2014.

Costs of environmental responsibilities and compliance with existing environmental laws and regulations have not had, nor do we expect them to have, a material effect on our capital expenditures, financial position or results of operations.

### Combined Results of Operations

We report our financial results in accordance with GAAP in the United States. However, we believe that certain non-GAAP performance measures and ratios, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP performance measures and ratios should be viewed in addition to, and not as an alternative for, our reported results.

The following table sets forth our net sales and gross and operating profit (loss) and margins, as reported in our combined statement of operations, dollars in thousands:

	Year ended December 31,		
	2014	2013	2012
<b>Net sales</b>	<b>\$ 1,512,080</b>	<b>\$ 1,411,530</b>	<b>\$ 1,207,890</b>
<b>Gross profit, as reported</b>	<b>\$ 331,670</b>	<b>\$ 302,690</b>	<b>\$ 233,160</b>
Gross margin, as reported	21.9%	21.4%	19.3%
<b>Selling, general and administrative expenses, as reported</b>	<b>\$ 290,950</b>	<b>\$ 278,580</b>	<b>\$ 273,090</b>
Selling, general and administrative expenses, as reported, as a % of net sales	19.2%	19.7%	22.6%
<b>Operating profit (loss), as reported</b>	<b>40,720</b>	<b>24,110</b>	<b>(115,930)</b>
Litigation settlements	—	—	76,000
<b>Operating profit (loss), as adjusted</b>	<b>\$ 40,720</b>	<b>\$ 24,110</b>	<b>\$ (39,930)</b>
Operating margin, as reported	2.7%	1.7%	(9.6)%
Operating margin, as adjusted	2.7%	1.7%	(3.3)%

### Sales and Operations

Net sales for 2014 increased seven percent or \$100.6 million to \$1,512.1 million. The increase was driven by sales volume growth in both Installation and Distribution segments. Our sales benefited from increased volume in residential new construction and commercial construction activity, increased insulation sales volume also driven by changing building code requirements, as well as increased selling prices.

Net sales for 2013 increased 17 percent or \$203.6 million. Net sales for 2012 increased 12 percent or \$131.3 million. Both years were positively affected by increased sales volume in both Installation and Distribution segments, primarily due to increased residential new construction and commercial construction activity and, to a lesser extent, residential repair and remodel activity. In addition, both years benefited from increased insulation sales volume driven by changing building code requirements, as well as increased selling prices.

Our gross profit margins were 21.9 percent, 21.4 percent and 19.3 percent for 2014, 2013 and 2012, respectively. Our increases in gross profit margins reflect increased sales volume and the related absorption of fixed costs, a more favorable relationship between selling prices and material costs and the benefits associated with rationalization and cost savings initiatives.

Selling, general and administrative expenses as a percent of sales were 19.2 percent, 19.7 percent and 22.6 percent for 2014, 2013 and 2012, respectively. Reduced selling, general and administrative expense as a percent of sales is a result of increasing sales volume and price and benefits associated with business rationalizations and other cost savings initiatives.

Our selling, general and administrative expenses include allocations of Masco general corporate expenses of \$22.0 million, \$22.1 million and \$20.9 million in 2014, 2013 and 2012, respectively. Such expenses may not be indicative of our General Corporate expense in the future.

Operating margins, as reported, for 2014, 2013 and 2012 were 2.7 percent, 1.7 percent and (9.6) percent, respectively. Operating margins, before general corporate expense and litigation settlements for 2014, 2013 and 2012 were 4.1 percent, 3.3 percent and (1.6) percent, respectively. Improvements in operating margins in 2014, 2013 and 2012 were positively affected by a more favorable relationship between selling prices and commodity costs, increased sales volume and the benefits associated with business rationalizations and other cost savings initiatives.

#### ***Other Income (Expense), Net***

Interest expense was \$12.4 million, \$13.4 million and \$13.9 million in 2014, 2013 and 2012, respectively, and was allocated by Masco. Such expense may not be indicative of our interest expense in the future.

#### ***Income (Loss) from Continuing Operations***

Income (loss) from continuing operations was \$10.5 million, \$(11.5) million, and \$(154.4) million in 2014, 2013 and 2012, respectively. Loss from continuing operations in 2012 includes litigation settlement charges of \$76.0 million.

Our effective tax rate for the income (loss) from continuing operations was 63 percent, 207 percent and 19 percent tax expense in 2014, 2013 and 2012, respectively. Compared to our normalized tax rate of 36 percent, the variance in the effective tax rate in 2014, 2013 and 2012 was due primarily to changes in the U.S. Federal and certain state valuation allowances.

#### **Material Trends in Our Business**

We believe there are several meaningful trends that indicate U.S. housing demand will recover to levels consistent with the historical average of the past 50 years in the long term. These trends include low interest rates relative to historical averages, the aging of housing stock and population growth. We expect these trends to also drive long-term growth in repair/remodel expenditures and commercial construction activity. We believe that our strong financial position, together with our ongoing focus on continuous improvement will allow us to drive long-term growth and create value for our shareholders.

We normally experience stronger sales during the third and fourth calendar quarters, corresponding with the peak season for residential new construction and residential repair/remodel activity. Sales during the winter weather months are seasonally slower due to the lower construction activity. Historically, the installation of insulation lags housing starts by several months.

## Business Segment Results

The following table sets forth our net sales and operating profit (loss) information by business segment, dollars in thousands.

	2014	2013	2012	Percent Change	
				2014 vs. 2013	2013 vs. 2012
<b>Net Sales:</b>					
Installation	\$ 963,350	\$ 904,570	\$ 744,910	6%	21%
Distribution	628,810	578,140	528,330	9%	9%
Intercompany eliminations and other adjustments	(80,080)	(71,180)	(65,350)		
<b>Total</b>	<b>\$ 1,512,080</b>	<b>\$ 1,411,530</b>	<b>\$ 1,207,890</b>	<b>7%</b>	<b>17%</b>

	2014	2013	2012
<b>Operating Profit (Loss):(A)</b>			
Installation	\$ 23,970	\$ 6,160	\$ (36,560)
Distribution	52,330	46,410	37,120
Intercompany elimination and other adjustments(B)	(13,630)	(6,390)	(19,580)
<b>Total</b>	<b>\$ 62,670</b>	<b>\$ 46,180</b>	<b>\$ (19,020)</b>
General corporate expense, net	(21,950)	(22,070)	(20,910)
Charge for litigation settlements	—	—	(76,000)
<b>Total operating profit (loss)</b>	<b>\$ 40,720</b>	<b>\$ 24,110</b>	<b>\$ (115,930)</b>

	2014	2013	2012
<b>Operating Profit (Loss) Margin:(A)</b>			
Installation	2.5%	0.7%	(4.9)%
Distribution	8.3%	8.0%	7.0%
<b>Total</b>	<b>4.1%</b>	<b>3.3%</b>	<b>(1.6)%</b>
<b>Total operating profit (loss) margin, as reported</b>	<b>2.7%</b>	<b>1.7%</b>	<b>(9.6)%</b>

(A) Before general corporate expense and charge for litigation settlements.

(B) Intercompany eliminations include the elimination of intercompany profit of \$(14.1) million, \$(11.2) million and \$(10.0) million, in 2014, 2013 and 2012, respectively. Other adjustments of \$0.5 million, \$4.8 million and \$(9.6) million in 2014, 2013 and 2012, respectively, primarily include the difference between the estimated corporate costs from which each segment receives a specific direct benefit and the actual costs incurred for the period, as well as adjustments for insurance reserves managed by Parent Company.

## Business Segment Results Discussion

Changes in operating profit margins in the following Business Segment Results discussion exclude general corporate expense, net and charge for litigation settlements in 2014, 2013 and 2012, as applicable.

### *Installation*

#### *Sales*

Net sales in the Installation segment increased \$58.8 million or six percent in 2014 from 2013. Such increases were primarily due to increased sales volume, which increased sales by four percent. Increased sales volume is primarily related to a higher level of activity in residential new construction and commercial construction and changing building code requirements. Net sales also increased by three percent due to increased selling prices. Such increases were partially offset by a less favorable product mix, primarily related to an increase in multi-family housing starts versus single-family housing starts.

Net sales in this segment increased \$159.7 million or 21 percent in 2013 compared to 2012. Such increases were primarily due to increased sales volume, which increased sales by 16 percent. Increased sales volumes were primarily driven by a higher level of activity in residential new construction and commercial construction and building code requirements. Net sales also increased five percent due to increased selling prices.

Net sales in this segment increased \$91.6 million or 14 percent in 2012 compared to 2011. Such increases were primarily driven by increased sales volume, related to a higher level of activity in residential new construction, residential repair/remodel and commercial construction.

#### *Operating Results*

The construction industry, both in residential new home and commercial, is expanding and is subject to inflationary pressures on costs, and the Company is seeing the impact of this growth with increases in the cost of building materials. The Company realized higher material costs, principally insulation, in each of the three years ended December 31, 2014, 2013 and 2012. Insulation is the largest commodity purchased in this segment. The Company has been successful to date in achieving price increases to more than offset the increased commodity costs.

Operating profit in the Installation segment increased \$17.8 million in 2014 primarily due to increased sales volume and a more favorable relationship between selling prices and commodity costs. Such increases were partially offset by a less favorable product mix, due to higher multi-family housing starts, than in prior year.

Operating profit in this segment increased \$42.7 million in 2013 primarily due to increased sales volume and the related absorption of fixed costs, as well as a more favorable relationship between selling prices and commodity costs. Operating profit was also positively affected by cost savings initiatives including process improvements and sourcing savings.

Operating loss in this segment in 2012 decreased \$56.6 million and was positively affected by increased sales volume and the related absorption of fixed costs, as well as a more favorable relationship between selling prices and commodity costs.

## ***Distribution***

### ***Sales***

Net sales in the Distribution segment increased \$50.7 million or nine percent in 2014 compared to 2013. Such increases were primarily due to increased sales volume, which increased sales by eight percent. Increased sales volume was driven by a higher level of activity in residential new construction and commercial construction, including metal building insulation. Our sales also increased in this segment due to increased selling prices.

Net sales in this segment increased \$49.8 million or nine percent in 2013 compared to 2012. Such increases were primarily due to increased sales volume, which increased sales by eight percent. Increased sales volume was driven by higher level of activity in residential new construction and commercial construction, including metal building insulation. Our sales also increased in this segment due to increased selling prices.

Net sales in this segment increased \$39.0 million or eight percent in 2012 compared to 2011. Such increases were primarily due to increased sales volume, which increased sales by eight percent. Increased sales volume was driven by higher level of activity in residential new construction and a more favorable product mix of higher priced fiberglass products. Such increases were partially offset by lower selling prices.

### ***Operating Results***

Operating profit in the Distribution segment increased by \$5.9 million in 2014, primarily due to increased sales volume, partially offset by a less favorable relationship between selling prices and material costs.

Operating profit in this segment increased \$9.3 million in 2013, primarily due to increased sales volume and a more favorable product mix, including increased sales of higher margin insulation products compared to lower margin roofing products. This segment also benefited from a more favorable relationship between selling prices and commodity costs.

Operating profit in this segment increased \$10.3 million in 2012, primarily due to increased sales volume, partially offset by a less favorable relationship between selling prices and commodity costs.

## **Other Matters**

### ***Commitments and Contingencies***

#### ***Litigation***

We are subject to claims, charges, litigation and other proceedings in the ordinary course of our business, including those arising from or related to contractual matters, intellectual property, personal injury, environmental matters, product liability, product recalls, construction defect, insurance coverage, personnel and employment disputes, antitrust issues and other matters, including class actions. We believe we have adequate defenses in these matters and that the likelihood that the outcome of these matters would have a material adverse effect on us is remote. However, there is no assurance that we will prevail in these matters, and we could in the future incur judgments, enter into settlements of claims or revise our expectations regarding the outcome of these matters, which could materially impact our results of operations.

In July 2012, Masco reached a settlement agreement related to the Columbus Drywall litigation. Masco and its insulation installation companies named in the suit agreed to pay \$75 million in return for dismissal with prejudice and full release of all claims. Masco and its insulation installation companies denied that the challenged conduct was unlawful and admitted no wrongdoing as part of the

settlement. A settlement was reached to eliminate the considerable expense and uncertainty of this lawsuit. We recorded the settlement expense in the second quarter of 2012 and the amount was paid in the fourth quarter of 2012. In addition, we settled a related case in 2012 for \$1 million.

#### *Other Commitments*

We enter into contracts, which include customary indemnifications that are standard for the industries in which we operate. Such indemnifications include customer claims against builders for issues relating to our products and workmanship. In conjunction with divestitures and other transactions, we occasionally provide customary indemnifications relating to various items including: the enforceability of trademarks; legal and environmental issues; and asset valuations. We evaluate the probability that amounts may be incurred and appropriately record an estimated liability when probable.

#### **Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard for revenue recognition, Accounting Standards Codification 606 (ASC 606). The purpose of ASC 606 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability across industries. ASC 606 is effective for us for annual periods beginning January 1, 2017. We are currently evaluating the impact the adoption of this new standard will have on our combined results of operations.

In April 2014, the FASB issued Accounting Standards Update 2014-8 (ASU 2014-8), "Reporting of Discontinued Operations and Disclosure of Disposals of Components of an Entity," which changes the criteria for determining which disposals can be presented as discontinued operations and modifies the related disclosure requirements. ASU 2014-8 is effective for us beginning January 1, 2015. We do not expect that the adoption will have a significant impact on our combined financial position or results of operations.

#### **Contractual Obligations**

The following table provides payment obligations related to current contracts at December 31, 2014, in thousands:

	Payments Due by Period				Total
	Less than 1 year	1 - 3 Years	3 - 5 Years	More than 5 Years	
Operating leases	\$ 37,010	\$ 35,020	\$ 6,820	\$ 240	\$ 79,090
Purchase commitments(A)	2,000	—	—	—	2,000
<b>Total</b>	<b>\$ 39,010</b>	<b>\$ 35,020</b>	<b>\$ 6,820</b>	<b>\$ 240</b>	<b>\$ 81,090</b>

(A) Excludes contracts that do not require volume commitments and open or pending purchase orders.

We are currently in a discussion with a syndicate of banks relating to a \$100 million to \$150 million credit facility to be entered into concurrently with our Separation from Masco. Additionally, we expect to borrow approximately \$200 million under a bank term loan to fund the dividend we anticipate paying to Masco on the Separation date. We will describe the material terms of the credit facility and the bank term loan in an amendment to the Form 10 of which this Information Statement forms a part.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Prior to the Separation, we have participated in Masco's centralized cash management program to support and finance our operations as needed. Prior to the Separation, we have provided cash to Masco based on our operating cash flows generated, and Masco has funded our operations and investing activities as needed. Therefore, prior to the Separation, we have a limited amount of debt and no other financial instruments where we are exposed to interest rate risk.

We intend to enter into new financing arrangements in anticipation of the Separation. These financing arrangements are expected to include a bank term loan of approximately \$200 million and a credit facility of approximately \$100 million to \$150 million. We expect the bank term loan and credit facility to become effective substantially concurrently with the Separation. We expect to incur \$200 million of indebtedness under the bank term loan to finance a \$200 million cash dividend from us to Masco to be paid on the Separation date. We expect to use the additional borrowing capacity under the separate credit facility from time to time for working capital and other general corporate purposes.

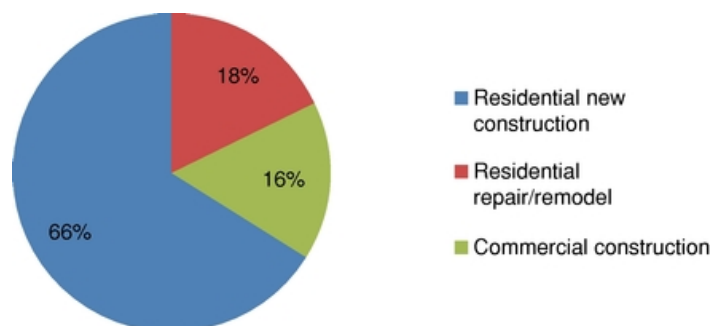
Interest payable on the bank term loan is based on a variable interest rate, and we will thus be exposed to market risks related to fluctuations in interest rates on our outstanding indebtedness following the Separation. Assuming a weighted average interest rate of [     ]% for our expected indebtedness under the bank term loan at the Separation date, a 10% change in the interest rates would result in a \$[     ] increase/decrease in our annualized interest expense.

## BUSINESS

### Overview

We are the leading installer and distributor of insulation products to the United States construction industry, based on revenue. We provide insulation installation services nationwide through our TruTeam Contractor Services business, which has over 190 installation branches located in 43 states. We distribute insulation nationwide through our Service Partners business from our 72 distribution centers located in 35 states. Our installation and distribution business segments represented 64% and 36%, respectively, of our net sales of \$1.5 billion for the year ended December 31, 2014. Our installation and distribution segments serve three lines of business: residential new construction, residential repair/remodel and commercial construction. In addition to insulation products, we also install or distribute other building products, including rain gutters, garage doors, fireplaces, shower enclosures, closet shelving and roofing. Further, we are a leader in building science through, among other things, our Environments For Living® program and our residential home energy rating services.

2014 Net Sales by Line of Business



We believe we are well positioned to organically grow our businesses. Our national scale enables us to drive supply chain efficiencies and provide the tools necessary for our branches and distribution centers to effectively compete locally. Given the highly fragmented homebuilding industry, our leadership position in installation, distribution and building science services allows us to tailor our approach to each local market, which differs in characteristics such as customer mix, competitive activity, building codes and labor availability. Moreover, serving three lines of business provides additional revenue growth potential with which to leverage our fixed cost and reduces our exposure to the cyclical swings in residential new construction.

Our businesses comprise the Masco Corporation Installation and Other Services segment. On September 30, 2014, Masco announced strategic initiatives designed to drive shareholder value, including the Separation of our businesses through a tax-free distribution of our stock to Masco's stockholders. The Separation is expected to be completed in the second quarter of 2015. For more information, see "The Separation" included elsewhere in this Information Statement. We were incorporated in Delaware in February 2015 as Masco SpinCo Corp. We changed our name to TopBuild Corp. on March 20, 2015. Our headquarters will be located at 260 Jimmy Ann Drive, Daytona Beach, Florida 32114, and our general telephone number is (386) 304-2200. Our Internet website is [www.\[redacted\].com](http://www.topbuild.com). Our website and the information contained on that site, or connected to that site, are not incorporated by reference into this Information Statement. We intend to apply to list our common stock on the NYSE under the symbol "BLD."



Our Installation Services business, previously known as Masco Contractor Services, has been renamed TruTeam Contractor Services. Our Distribution Services business will still continue to operate under the Service Partners name.

## Industry Background

The insulation installation and distribution market, as well as the markets for our other products and services, is driven primarily by residential new construction, residential repair/remodel and commercial construction activity throughout the United States. A number of local and national factors influence activity in each of these lines of business, including demographic trends, interest rates, employment levels, business investment, supply and demand for housing stock, availability of credit, foreclosure rates, consumer confidence and general economic conditions.

The U.S. housing market has grown from approximately 587,000 housing starts in 2010 to 1.01 million starts in 2014, according to the U.S. Census Bureau. The U.S. housing market peaked in 2006, but was substantially affected by the financial crisis of 2007-08, with housing starts reaching a low of approximately 554,000 in 2009. Even after five years of growth, housing starts remain below the 50-year historical average of approximately 1.5 million per year. According to industry forecasts, however, residential new construction starts are estimated to grow to 1.5 million in 2020, representing a compound annual growth rate of 6.8% from 2014 through 2019. A third-party study we commissioned in mid-2014 estimates that our Contractor Services segment has an approximate 25% share of residential new construction insulation installations. Based on this study, we estimate that residential new home construction insulation installations present an approximately \$3.9 billion opportunity in 2015.

The U.S. housing market, and particularly residential new construction, is fragmented. Over 50,000 home builders participated in the market in 2012. The top 20 national builders represented approximately 15% of housing starts in 2014 and regional builders represented approximately 34%. In addition to local relationships, we believe that these builders also prefer to partner with installers who offer scale and broad geographic presence, which provide the builder consistent, high-quality installation services across all building sites. The remainder of residential new construction is served by approximately 50,000 small custom builders. The typical smaller builder constructs fewer than ten homes per year and operates in one local geographic area. We believe that these smaller builders place a premium on local relationships in the selection of installers.

According to industry sources, commercial construction in the United States is estimated to rise 9% to \$612 billion in 2015, and grow at a compound annual growth rate of 14.4% from 2014 to 2017. Based on a third-party study we commissioned in 2013, we believe that we have an approximately \$4.5 billion annual opportunity in commercial construction. We believe commercial construction is highly fragmented, with over half of the approximately 42,000 general contractors with fewer than five employees and only 15% with more than twenty employees and none having branches across the country.

According to industry forecasts, U.S. sales of home maintenance, repair and improvement products are expected to grow at a rate of approximately 5% in 2014 and approximately 6% in 2015. The size of the insulation installation component of overall residential repair/remodel activity is difficult to estimate. Based on a third-party study we commissioned in 2013, however, we believe insulation installations presented an approximately \$1.3 billion opportunity in 2013, which we anticipate would grow at a rate commensurate with the overall growth in the U.S. economy. Residential repair/remodel is highly fragmented, with four big box retailers accounting for an aggregate of less than approximately 5% of sales, well over 150,000 contractors accounting for approximately 35%, approximately 1,000 weatherization specialists accounting for approximately 5% and do-it-yourself homeowner installations accounting for the remaining approximately 55%.

## Competitive Advantages

We believe that our competitive strengths include the following:

**National scale.** Our Contractor Services business has a network of over 190 installation branches located in 43 states and our Service Partners business has 72 distribution centers located in 35 states. With these two national footprints, we provide products and services to each major construction line of business in the United States. Our national scale, together with our centralized TopBuild executive management team, allows us to compete locally by:

- providing national and regional builders with broad geographic reach, while maintaining consistent policies and practices that enable reliable, high-quality products and services across many geographies and building sites;
- establishing strong ties to major manufacturers of insulation and other building products that help ensure we are buying competitively, have availability of supply to our local branches and distribution centers and are driving efficiencies throughout our supply chain;
- providing consistent, customized support and geographic coverage to our customers;
- maintaining an operating capacity that allows us to ramp-up rapidly, without major incremental investment, to target forecasted growth in housing starts and construction activity in each of our lines of business anywhere in the United States; and
- leveraging investments in systems and processes and sharing best practices across both our installation and distribution businesses.

**Two avenues to reach the builder.** We believe that having both an installation and distribution business provides a number of advantages to reaching our customers and driving share gains. Our Contractor Services customer base includes builders of all sizes. Our branches go to market with the local brands that small builders recognize and value, and our national footprint is appealing to the large builders who value consistency across a broad geography. Our Service Partners distribution business focuses on selling to small contractors who are particularly adept at cultivating the local relationships with small custom builders. Being a leader in both installation and distribution allows us to more effectively reach a broader set of builder customers, regardless of their size or geographic location within the United States, and leverage housing growth wherever it occurs.

**Diversified lines of business.** In response to the housing downturn, we enhanced our ability to serve the residential repair/remodel and commercial construction lines of business, which comprised approximately 18% and 16%, respectively, of our net sales for the year ended December 31, 2014. Although the residential repair/remodel and commercial construction lines of business are affected by many of the same macroeconomic and local economic factors that drive residential new construction, residential repair/remodel and commercial construction have historically followed different cycles than residential new construction. We have thus positioned our business to benefit from a greater mix of residential repair/remodel activity and commercial construction activity than we have historically, which helps reduce volatility because we are less dependent on residential new construction, and also enables us to better respond to changes in customer demand.

**Expertise in building science.** In addition to our core product and service expertise, we are a leader in building science. Through our Home Services subsidiary and our Environments For Living® program, we offer a number of services and tools designed to assist builders in applying the principles of building science to new home construction, including pre-construction plan reviews that use industry-standard home-energy analysis software, various inspection services and diagnostic testing utilizing industry-standard authentication tools. We help our builder customers build high-performance homes that are more energy-efficient and comfortable than conventional, code-built homes. Our Home Services

subsidiary is, we believe, one of the largest Home Energy Rating System Index (HERS Index) raters in the U.S. and was honored by the Environmental Protection Agency and Department of Energy as an ENERGY STAR Partner of the Year for 2014. In a time of heightened focus on energy efficiency and trends in the adoption of more stringent and complex building codes by states and municipalities, we believe our expertise in building science facilitates relationships with our builder customers and helps them offer more energy-efficient homes to their customers, which we believe will help us drive share gains.

**Strong local presence.** Competition for the installation and sale of insulation and other building products to builders occurs in localized geographic markets throughout the country. Builders in each local market have different options in terms of choosing among insulation installers and distributors for their projects, and value local relationships, quality and timeliness. Our over 190 Contractor Services branches are locally branded businesses that are recognized within the communities in which they operate. Our 72 Service Partners distribution centers service primarily local contractors, lumberyards, retail stores and others who, in turn, service local homebuilders and other customers. Our branch- and distribution center-based operating model, in which individual branches and distribution centers maintain local customer relationships, enables us to develop local, long-tenured relationships with these customers, build local reputations for quality, service and timeliness, and provide specialized products and personalized services tailored to a geographic region. At the same time, our local operations benefit from centralized functions such as information technology, credit and purchasing, and the resources and scale efficiencies of an installation and distribution business that has a presence across the United States.

**Reduced exposure to residential housing cyclicality.** During industry downturns, many insulation contractors who buy directly from manufacturers during industry peaks return to purchasing through distributors for small, "Less Than Truckload" ("LTL") shipments, reduced warehousing needs, and access to purchases on credit. This drives incremental customers to Service Partners during these points in the business cycle. As a result, our leadership position in both installation and distribution helps to reduce exposure to cyclical swings in our lines of business.

**Strong management team.** Our executive management team has extensive experience serving the U.S. construction and building products markets. The average tenure of our executive management team nears 20 years with us or our predecessor companies.

**Strong cash flow, low capital investment and favorable working capital to fund organic growth.** Over the last several years, we have reduced fixed costs. As a result, we can achieve profitability at lower levels of demand as compared to historical periods. Cash flows from (used by) operating activities have grown from \$(101.9) million in 2012 to \$24.7 million in 2013 to \$71.9 million in 2014. In addition, we anticipate that our future organic growth will require capital investment of less than 1% of sales, and we do not expect post-Separation working capital requirements to grow significantly. Accordingly, we believe we are well positioned to self-fund future organic growth.

## **Our Strategy**

Our long-term strategy is to grow net sales, earnings, and operating cash flows and remain the leading insulation installer and distributor by revenue by leveraging our competitive strengths and pursuing the following strategies:

**Capitalize on the U.S. housing market recovery through focus on organic growth.** We intend to utilize our scale in both installation and distribution and the diversification of our lines of business to capitalize on the expected continuing recovery in the construction market. We plan to continue to grow our business organically by investing in our infrastructure and existing labor force and by adding talented new members to our labor force, particularly installers. We will focus on expanding our

customer base and attracting new customers through our strong local brands, sales force, reputation and national scale. We also intend to deploy our resources to penetrate underrepresented territories where we have the opportunity to increase our market share. When appropriate, we may supplement our organic growth by considering strategic opportunistic acquisitions. We believe that our capital structure positions us to acquire businesses we find attractive.

***Gain share in commercial construction.*** In response to the housing downturn, we expanded our ability to serve the commercial construction line of business. We intend to focus on growing our commercial construction line of business by building out our commercial operations and sales capacity in a majority of our locations and building our expertise and reputation for quality service for both light and heavy commercial construction projects. We are also developing relationships with commercial general contractors, focusing initially on several of our branches located in larger metropolitan areas which specialize in commercial construction.

***Continue to leverage our expertise in building science to benefit from the increasing focus on energy efficiency and trends in building codes.*** For the past several years, residential energy efficiency interest from consumers has increased both because of concerns for the environment and volatility in energy costs. In addition, new building codes have established higher energy efficiency requirements on new construction. We plan to continue our focus on developing practices that increase residential and commercial energy efficiency and leverage our expertise and reputation as a leader in building science to benefit each of our lines of business. Our Home Services subsidiary is, we believe, one of the largest Home Energy Rating System Index (HERS Index) raters in the United States and was honored by the Environmental Protection Agency and Department of Energy as an ENERGY STAR Partner of the Year for 2014.

## **Insulation Products**

Insulation installation and insulation distribution comprised approximately 71% and 70% of our net sales for the fiscal years ended December 31, 2014 and 2013, respectively. According to the Department of Energy, heating and cooling account for 50% to 70% of the energy used in the average American home. Inadequate insulation and air leakage are leading causes of energy waste in most homes. The amount of insulation in a new home is also regulated by various building and energy codes, which establish minimum thermal and air sealing performance requirements and require insulation to be installed in multiple areas of a structure (e.g., basement, walls, attic). In addition to conserving energy and complying with building codes, a good insulation system improves the comfort level of a home by reducing drafts and helping to contribute to consistent temperature throughout a home and in any weather. Interior wall insulation can also absorb sounds, reducing unwanted noise from dishwashers, media centers and other types of noise. Finally, most local jurisdictions require an inspection following the installation of insulation before proceeding with drywall, so timely and high quality insulation installations are valuable to our customers.

We install and distribute a wide variety of insulation materials supplied by leading manufacturers for various applications, including:

- **Fiberglass batts and rolls:** a type of fiberglass insulation which is normally referred to as blanket insulation. Blanket insulation is typically used for insulating walls, floors and ceilings in residential and commercial buildings.
- **Blown-in loose fill fiberglass:** a type of fiberglass insulation that is packed into bags and blown into enclosed structures, typically for open attic applications, or enclosed sidewall or floor cavities (our branded BIBS® system), using specialized equipment.

- Blown-in loose fill cellulose: a loose fill product that is manufactured from recycled wood products, principally newspaper, for use in various blown-in applications such as attics and wall cavities. This product is chemically treated to make it fungi-resistant and fire-retardant.
- Polyurethane spray foam: a spray foam insulation, made from polyurethane, which is an alternative to traditional building insulation such as fiberglass. The foam is applied at the job site using specialized equipment and sprayed under roof decks or into wall cavities, or through holes drilled into a cavity of a finished wall.

We also distribute a variety of other insulation products for residential and commercial applications, including mineral wool, board products (polyisocyanurate, extruded and expanded), cotton batts and radiant barriers, and we are a leading nationwide supplier of insulation accessories, including caulks, foams, sealants, fasteners, supports, masks and safety equipment. We believe our ability to combine deliveries of complementary accessory items, along with a complete line of insulation products, provides an attractive value-added service to our distribution customers.

#### **Other Installed and Distributed Products**

In addition to being a leader in installing and distributing insulation, many of our branch and distribution locations also install or distribute other residential building products, including rain gutters, garage doors, fireplaces, shower enclosures, closet shelving and roofing. These other installed or distributed products comprised approximately 29% and 30% of our net sales for the fiscal years ended December 31, 2014 and 2013, respectively. We install these other building products for homeowners as well as commercial and residential builders, remodelers and property managers. We generally distribute these other building products to contractors who utilize them in their building projects.

#### **Operations**

*Installation.* We provide installation services nationwide through our Contractor Services business and our over 190 branches located in 43 states. We handle every stage of the installation process, including material procurement, project scheduling and logistics, multi-phase professional installation and installation quality assurance. Our branch locations across the United States are each characterized by our hiring standards and highly trained workforce, our centralized back-office systems and sharing of national best practices. We believe these characteristics give each branch a competitive advantage in the local geographic area in which it competes.

For each category of installed products, we offer professional installation services covering a variety of product options from the nation's leading manufacturers. In each case, prior to installation, our sales representatives assess the specific needs and circumstances of the project before making recommendations regarding materials and installation techniques to suit the particular situation.

Across our branch locations, we employ over 4,600 professionally trained installers who have passed our stringent employment requirements. Our installers receive ongoing training and development to generate best-in-class work quality to manufacturers' guidelines and local building codes while performing their work safely. Recruiting and human resource professionals aid our branch managers in attracting, hiring and retaining installers, and we are able to share best practices across our locations.

*Distribution.* Service Partners distributes insulation and other building products nationwide through our 72 distribution centers located in 35 states. Our distribution business employs approximately 775 employees.

We utilize a variety of shipping methods for both inbound and outbound logistics, including company trucks, common carrier, LTL carrier and small parcel freight, based on the product and quantities being shipped and customer delivery requirements.

## Sales and Marketing

We have a team of over 550 sales representatives in our Contractor Services business and over 100 sales representatives in our Service Partners business. Our sales force at each of our individual locations is experienced and focuses on its local market. Our sales and marketing efforts emphasize building and maintaining strong customer relationships, delivering exceptional customer service and superior installation quality and offering a broad array of building products and installation services at competitive prices. Each individual business, both installation and distribution, capitalize on cross-selling opportunities from existing customer relationships.

## Safety

We are dedicated to the safety of our employees and work environment, and safety is a core value of our culture and a priority for our organization. Our safety program is driven by our organizational belief that "Safety is a Lifestyle," at work and at home.

Our commitment to safety is supported and communicated regularly from management down through each employee level. We believe this commitment gives us a competitive advantage in recruiting and retaining employees and obtaining and maintaining customers, and it serves to mitigate risks by recognizing and reducing business site hazards and waste.

Since 2013, we have realized substantial improvements in our OSHA Incidence Rate, Lost Work Case Rate and Lost Day Case Rate. This has also resulted in significant financial savings for the company.

The cornerstones of our safety program are:

- Training. Our employees receive training and must demonstrate the skills necessary to work safely and productively, before being assigned to a jobsite or beginning work at a distribution facility.
- Engagement. We ensure that all employees understand our safety program as well as their role in the program. Employees are rewarded for safe work behavior and control of safety hazards and are held accountable for unsafe behavior.
- Safety Awareness. We have frequent safety meetings, conduct weekly safety communications and mail safety awareness newsletters to employees' homes.
- Continuous Improvement. Our safety system is designed to mitigate risk through immediate engagement of injured employees, their families, insurance representatives and medical providers with the goal of ensuring excellent employee care that leads to better employee outcomes and reduced financial exposure.

## Customers

We have a diversified portfolio of customers for our installation business that includes the largest home builders in the U.S. as well as custom builders, multi-family builders, commercial general contractors, remodelers and individual homeowners. Our distribution business customer base consists of thousands of insulation contractors of all sizes, gutter contractors, weatherization contractors, other contractors, dealers, metal building erectors and modular home builders. Our top 10 customers accounted for approximately 7.7% of total sales in 2013 and 10.1% in 2014. For the years ended December 31, 2014, 2013 and 2012, we did not have any customers that accounted for 10% or more of our total revenues. In addition, as of December 31, 2014 and 2013, we did not have any customers that accounted for 10% or more of our total accounts receivable.

**Suppliers**

We have a large network of suppliers, including the four primary U.S.-based residential fiberglass insulation manufacturers, Owens Corning, Knauf, CertainTeed and Johns Manville. We believe that we have good relationships with our suppliers.

**Competitors**

The market for the installation and distribution of insulation and other building products is highly competitive in each of the local markets in which we compete. In addition to price, we believe that competition in our industry is based largely on customer service and the quality and timeliness of installation services and distribution product deliveries in each local market. Our installation competitors include national contractors, regional contractors and local contractors, and we face many or all of these competitors for each project on which we bid. Our insulation distribution competitors include specialty insulation distributors (one multi-regional, several regional and numerous local). In some instances, our insulation distribution business sells products to companies that may compete directly with our installation service business. We believe that overlap to be relatively small and that we manage it effectively. We also compete with broad line building products distributors, big box retailers and insulation manufacturers.

**Seasonality and Cyclicalities**

We normally experience stronger sales during the third and fourth calendar quarters, corresponding with the peak season for residential new construction and residential repair/remodel activity. Sales during the winter weather months are seasonally slower due to the lower construction activity. Historically, the installation of insulation lags housing starts by several months.

The U.S. housing market has been highly cyclical. The U.S. housing market peaked in 2006, and was substantially affected by the financial crisis of 2007-08, with housing starts reaching a low of approximately 554,000 in 2009. Even after five years of growth, housing starts remain below the 50-year historical average of approximately 1.6 million per year.

In response to the 2007-08 downturn, we reduced fixed costs, leveraged our distribution model and expanded our ability to serve the commercial and residential repair/remodel lines of business. Our cost reduction initiatives have resulted in a fixed cost level for our business that is over \$200 million (pre-tax) lower than our fixed cost level achieved in 2006. Our distribution business maintained profitability during this downturn by providing services that many insulation contractors sought, such as next day, LTL shipments, reduced warehousing needs, and providing access to sales on credit.

We believe that we have managed our business successfully through economic cycles and out of the recent recessionary period. Going forward, we believe that our broad geographic footprint reduces our exposure to cyclical swings in any particular local market. In addition, our distribution business model and our diversification into residential repair/remodel and commercial construction reduces our exposure to cyclical swings in the residential new construction market.

**Employees**

At December 31, 2014, we had approximately 7,600 employees. Approximately 400 of our employees are currently covered by collective bargaining or other similar labor agreements. We have generally experienced satisfactory relations with our employees.

**Legislation and Regulation**

We are subject to U.S., state and local regulations, particularly those pertaining to health and safety (including protection of employees and consumers), labor standards/regulations, contractor

licensing and environmental issues. In addition to complying with current effective requirements and requirements that will become effective at a future date, even more stringent requirements could eventually be imposed on our industries. Additionally, some of our products and services may require certification by industry or other organizations. Compliance with these regulations and industry standards may require us to alter our distribution and installation processes and our sourcing, which could adversely impact our competitive position. Further, if we do not effectively and timely comply with such regulations and industry standards, our operating results could be negatively affected.

### **Properties**

We operate over 190 installation branch locations and 72 distribution centers in the United States, most of which are leased. We lease a 63,404 square foot facility for our corporate and Contractor Services headquarters located at 260 Jimmy Ann Drive, Daytona Beach, Florida, 32114. Our headquarters lease expires on February 28, 2026, assuming the exercise of all options set forth in the lease. We lease a 17,510 square foot facility for our Service Partners corporate headquarters located at 1029 Technology Park Drive, Glen Allen, Virginia, 23059. Our Service Partners headquarters lease expires on May 31, 2025, assuming the exercise of all options set forth in the lease. We believe that our facilities have sufficient capacity and are adequate for our installation and distribution requirements.

### **Legal Proceedings**

We are subject to claims, charges, litigation and other proceedings in the ordinary course of our business, including those arising from or related to contractual matters, intellectual property, personal injury, environmental matters, product liability, product recalls, construction defect, insurance coverage, personnel and employment disputes, antitrust issues and other matters, including class actions. We believe that we have adequate defenses in these matters and that the likelihood that the outcome of these matters would have a material adverse effect on us is remote. However, there is no assurance that we will prevail in these matters, and we could in the future incur judgments, enter into settlements of claims or revise our expectations regarding the outcome of these matters, which could materially impact our results of operations.



## MANAGEMENT

### Directors Following the Separation

We are in the process of finalizing the composition of our board of directors following the Separation, and as such we will provide additional information regarding our directors in an amendment to the Form 10 of which this Information Statement forms a part.

#### *Qualification of Directors*

We expect our board of directors to consist of individuals with appropriate skills and experiences to meet board governance responsibilities and contribute effectively to our company. The Corporate Governance and Nominating Committee will seek to ensure the board of directors reflects a range of talents, ages, skills, diversity and expertise, particularly in the areas of accounting and finance, management, domestic and international markets, governmental/regulatory and leadership, sufficient to provide sound and prudent guidance with respect to our operations and interests. Our board of directors will seek to maintain a diverse membership, but will not have a separate policy on diversity at the time of our separation from Masco.

#### *Composition of the Board of Directors*

We expect that our board of directors following the Separation will be composed of seven directors, at least a majority of whom will satisfy the independence standards established by the Sarbanes-Oxley Act of 2002 and the applicable rules of the SEC and the NYSE.

Set forth below is information concerning the individuals we currently expect to become our directors as of the Separation date. None of the individuals who are expected to serve as members of our board of directors are current employees of Masco or TopBuild other than Gerald Volas.

<u>Name</u>	<u>Age</u>	<u>Class</u>
Gerald Volas	60	
Dennis W. Archer	73	
Carl T. Camden	60	
Joseph S. Cantie	51	
Alec C Covington	58	
Mark A. Petrarca	51	
Margaret M. Whelan	42	

Our board of directors will be divided into three classes, each of roughly equal size. The directors designated as Class I directors will have terms expiring at the first annual meeting of stockholders following the Separation; the directors designated as Class II directors will have terms expiring at the following year's annual meeting of stockholders; the directors designated as Class III directors will have terms expiring at the following year's annual meeting of stockholders after that. Commencing with the first annual meeting of stockholders held following the Separation, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for that class expires and thereafter will serve for a term of three years. We have not yet set the date of the first annual meeting of stockholders to be held following the Separation.

Set forth below is additional information regarding the directors identified above, as well as a description of the specific skills and qualifications such candidates are expected to provide the board of directors of TopBuild.

**Gerald Volas.** Mr. Volas, 60, has been employed by Masco Corporation in various positions of increasing responsibility since 1982, most recently as Group President—North American Diversified Businesses, a position he has held since 2014. Mr. Volas has been a Group President since 2006. From

2001 to 2005, Mr. Volas served as President of Liberty Hardware Mfg. Corp.; from 1996 to 2001, he served as a Group Controller supporting a variety of Masco operating companies, and from 1982 to 1996, he served in progressive financial roles including Vice President/Controller at BrassCraft Manufacturing Company. Mr. Volas is a Certified Public Accountant. Mr. Volas is a director of Trex Company, Inc., a manufacture of wood alternative decking and related products, serving since March 2014.

Mr. Volas' leadership positions with Masco and Masco's subsidiaries give him company-specific knowledge in all areas important to TopBuild's performance including, among others, key markets, personnel, customer relationships, operations, marketing, finance and risk management.

**Dennis W. Archer.** Mr. Archer, 73, has served as Chairman and CEO of Dennis W. Archer PLLC since 2010. He has also served as Chairman Emeritus of Dickinson Wright PLLC since 2010, prior to which he was Chairman from 2002 to 2009. Mr. Archer was Chair of the Detroit Regional Chamber from 2006 to 2007, and President of the American Bar Association from 2003 to 2004. He served two terms as Mayor of the City of Detroit, Michigan from 1994 through 2001 and was President of the National League of Cities from 2000 to 2001. He was appointed as an Associate Justice of the Michigan Supreme Court in 1985, and in 1986 was elected to an eight-year term. Since 2004, Mr. Archer has served as a director of Masco Corporation and, during the past five years, was a director of Compuware Corporation and Johnson Controls, Inc.

Mr. Archer's long and distinguished career as an attorney and judge will provide our board of directors with specific expertise and a unique understanding of litigation and other legal matters. As a result of his position as Mayor of Detroit, he has broad leadership, administrative and financial experience and is also knowledgeable in the area of governmental relations.

**Carl T. Camden.** Mr. Camden, 60, has served as Chief Executive Officer of Kelly Services, Inc., a global provider of outsourcing and consulting services and workforce solutions, since 2006 and as its President since 2001. He joined Kelly Services in 1995 and has served in various executive roles with responsibilities for sales, marketing and strategy. Prior to joining Kelly Services, Mr. Camden was employed as a Senior Vice President and Director of Corporate Marketing for KeyCorp, a financial services company. He has been a director of Kelly Services since 2002, and Temp Holdings Co., Ltd. since 2008. From 2006 to 2013, Mr. Camden was also a director of the Federal Reserve Bank of Chicago, Detroit Branch, serving as its Chairman from 2011 to 2013.

Mr. Camden has significant experience and expertise in executive management, human resource strategies, labor dynamics and economics and marketing. His strong leadership skills as well as his considerable knowledge and experience in the factors that affect the labor market and global business operations will be an asset to the Company.

**Joseph S. Cantie.** Mr. Cantie, 51, has been the Executive Vice President and Chief Financial Officer of TRW Automotive Holdings Corp., a diversified global supplier of automotive systems, modules and components since 2003. From 2001 to 2003, Mr. Cantie was Vice President, Finance for the automotive business of TRW, Inc., a global aerospace, systems and automotive conglomerate. Mr. Cantie served as TRW Inc.'s Vice President, Investor Relations from 1999 until 2001. From 1996 to 1999, Mr. Cantie was employed by LucasVarity plc, serving in several executive positions, including Vice President and Controller. Prior to joining LucasVarity, Mr. Cantie was employed as a certified public accountant with the international accounting firm of KPMG.

Mr. Cantie brings to our board of directors significant experience leading the finance organization of a large company. His background and expertise provides us with a deeper understanding of finance, financial operations, capital markets and investor relations.

**Alec C Covington.** Mr. Covington, 58, has served as Managing Director of Haynes Park Capital, LLC, a private investment and business consulting firm, since forming the company late in 2013. Mr. Covington served as the President and Chief Executive Officer of Nash-Finch Company, a food distribution company, from 2006 until the company merged with Spartan Stores, Inc. in 2013. From 2004 to 2006, he served as both President and Chief Executive Officer of Tree of Life, Inc., a specialty food distributor, and as a member of the Executive Board of Tree of Life's parent corporation, Royal Wessanen NV, a corporation based in the Netherlands. From 2001 to 2004, Mr. Covington was Chief Executive Officer of AmeriCold Logistics, LLC, a company that specializes in temperature-controlled warehousing and logistics for the food industry. Prior to that time, Mr. Covington was the President of Richfood Inc. and Executive Vice President of Supervalu Inc.

Mr. Covington has a strong background in distribution, supply chain operations and logistics. His significant leadership, executive management experience and expertise in the areas of management, operations and business development provides us with a broad-based understanding of areas important to our growth and operations.

**Mark A. Petrarca.** Mr. Petrarca, 51, has served as the Senior Vice President of Human Resources and Public Affairs of A. O. Smith Corporation, a global manufacturer of residential and commercial water heating equipment, since 2005. In this role he is responsible for all human resource activities, including policy and strategy development, performance management, employee relations and organizational development and succession planning, as well as public affairs and communications. Mr. Petrarca joined A. O. Smith Corporation in 1999, serving as Vice President-Human Resources for its Water Products Company until 2005. Mr. Petrarca was previously employed as Director of Human Resources for Strike Weapon Systems, a division of Raytheon Systems Company, and in various manufacturing and human resources positions at the Defense Systems and Electronics Group of Texas Instruments.

Mr. Petrarca brings strong expertise in domestic and international human resources and insight into employee relations issues, public affairs and communications to us. He provides us valuable experience in policy and strategy development, performance management, organizational development and succession planning. He also has a deep understanding of the building products industry.

**Margaret M. Whelan.** Ms. Whelan, 42, served as the Chief Financial Officer of Tricon Capital Group, an asset manager and investor in the North American residential real estate industry, from 2013 to 2014. From 2007 to 2013, she served as the Managing Director—Real Estate & Lodging Investment Banking Group of J. P. Morgan. In that role, Ms. Whelan managed the key relationships and risk associated with public and private homebuilders, residential real estate developers and financial sponsors. From 1997 to 2007, she was employed by UBS Investment Bank as the Managing Director—Builder & Building Products Equity Analyst, Global Head of House Research. She was previously employed by Merrill Lynch as an Equity Research Associate.

Ms. Whelan's extensive knowledge of the building industry, gained through her experience as an analyst, together with her financial experience, provides us with strategic insight and a valuable perspective of the housing market and its key participants and dynamics. Further, her investment banking experience will assist us as we evaluate growth opportunities.

#### ***Committees of our Board of Directors***

Our board of directors will establish the following committees: Audit Committee, Organization and Compensation Committee and Corporate Governance and Nominating Committee. The membership and function of each committee is described below.

*Audit Committee.* The Audit Committee, which following the Separation we expect to consist of [ ] (chair), [ ] and [ ], is directly responsible for, among other things:

- selecting a firm to serve as the independent registered public accounting firm to audit our financial statements;
- ensuring the independence of the independent registered public accounting firm;
- discussing the scope and results of the audit with the independent registered public accounting firm and reviewing, with management and that firm, our interim and year-end financial results;
- establishing procedures for employees to anonymously submit concerns about questionable accounting or audit matters;
- considering the adequacy of our internal controls and internal audit function; and
- approving or, as permitted, pre-approving all audit and non-audit services to be performed by the independent registered public accounting firm.

The size and composition of the Audit Committee will meet the independence requirements set forth in the applicable listing standards of the SEC and the NYSE and requirements set forth in the Audit Committee charter. [ ] is expected to be identified as a "audit committee financial expert" as that term is defined in the rules and regulations of the SEC. Each member of the Audit Committee will be financially literate and have accounting or financial management expertise as such terms are interpreted by our board of directors in its business judgment. None of our Audit Committee members will simultaneously serve on more than two other public company audit committees unless our board of directors specifically determines that it would not impair the ability of an existing or prospective member to serve effectively on the Audit Committee.

A more detailed discussion of the Audit Committee's function, composition and responsibilities is contained in the Audit Committee charter, which will be available on our website: [www.\[ \].com](http://www.[ ].com) upon the completion of the Separation.

*Organization and Compensation Committee.* The Organization and Compensation Committee, which following the Separation we expect to consist of [ ] (chair), [ ] and [ ], is directly responsible for, among other things:

- reviewing and approving, or recommending that our board of directors approve, the compensation of our executive officers;
- administering our stock and equity incentive plans;
- reviewing and approving, or making recommendations to our board of directors with respect to, incentive compensation and equity plans; and
- reviewing our overall compensation philosophy.

The Organization and Compensation Committee will be composed entirely of independent directors, each of whom will meet the requirements set forth in the NYSE listing standards and the Organization and Compensation Committee charter. The members of the Organization and Compensation Committee will be "non-employee directors" (within the meaning of Rule 16b-3 of the Exchange Act) and "outside directors" (within the meaning of Section 162(m) of the Code). In addition, in carrying out its duties, the Organization and Compensation Committee will have direct access to outside advisors, including independent compensation advisors.

A more detailed discussion of the Organization and Compensation Committee's function, composition and responsibilities is contained in the Organization and Compensation Committee charter, which will be available on our website: [www.\[ \].com](http://www.[ ].com) upon the completion of the

Separation. See "Compensation Discussion and Analysis" for additional information about the Organization and Compensation Committee.

*Corporate Governance and Nominating Committee.* The Corporate Governance and Nominating Committee, which following the Separation we expect to consist of [ · ] (chair), [ · ] and [ · ], is directly responsible for, among other things:

- identifying and recommending candidates for membership on our board of directors and recommending directors for appointment to the committees of our board of directors;
- reviewing and recommending our code of business ethics and our corporate governance guidelines and policies;
- reviewing proposed waivers of the code of business ethics for directors and executive officers;
- overseeing the process of evaluating the performance of our board of directors;
- reviewing and recommending to our board of directors the compensation of our directors; and
- assisting our board of directors on corporate governance matters.

The Corporate Governance and Nominating Committee will be composed entirely of independent directors, each of whom meet the requirements set forth in the NYSE listing standards and the Corporate Governance and Nominating Committee charter. In addition, in carrying out its duties, the Corporate Governance and Nominating Committee will have direct access to outside advisors.

A more detailed discussion of the Corporate Governance and Nominating Committee's function, composition and responsibilities is contained in the Corporate Governance and Nominating Committee charter, which will be available on our website: [www.\[ · \].com](http://www.[ · ].com) upon the completion of the Separation.

#### ***Code of Business Ethics***

Concurrent with the completion of the Separation, our board of directors will adopt a Code of Business Ethics that applies to all of our employees, officers and directors, including our Chief Executive Officer and Chief Financial Officer and other senior officers, effective as of the completion of the Separation, in accordance with applicable rules and regulations of the SEC and the NYSE. Our Code of Business Ethics will be available on our website prior to completion of the Separation. We intend to disclose future amendments to our Code of Business Ethics, or any waivers of such code, on our website or in public filings.

#### ***Corporate Governance Guidelines***

Concurrent with the completion of the Separation, our board of directors will adopt Corporate Governance Guidelines. The Corporate Governance Guidelines will set forth our policies and procedures relating to corporate governance effective as of the completion of the Separation and will comply with the requirements of the NYSE. Upon completion of the Separation, the full text of our Corporate Governance Guidelines will be available on our website.

#### ***Compensation Committee Interlocks and Insider Participation***

During the fiscal year ended December 31, 2014, TopBuild's business was operated by subsidiaries of Masco and not through an independent company and therefore did not have a compensation committee or any other committee serving a similar function. Decisions as to the compensation of those who will serve as TopBuild's executive officers were made by Masco. See "Compensation Discussion and Analysis" included elsewhere in this Information Statement.

We do not expect that any of our executive officers will serve as a member of the board of directors or as a member of a compensation committee of any other company that has an executive officer serving as a member of our board of directors or our Compensation Committee.

### ***Risk Management***

While our management will be responsible for the day-to-day management of risks to the Company, our board of directors will have broad oversight responsibility for our risk management programs following the Separation.

Our board of directors will exercise risk management oversight and control both directly and indirectly, the latter through various board committees as discussed above. Our board of directors will regularly review information regarding the Company's credit, liquidity and operations, including the risks associated with each. The Organization and Compensation Committee will be responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Audit Committee will be responsible for oversight of financial risks, including the steps the Company has taken to monitor and mitigate these risks. The Corporate Governance and Nominating Committee, in its role of reviewing and maintaining the Company's corporate governance guidelines and code of business ethics, will manage risks associated with the independence of the board of directors and potential conflicts of interest. While each committee will be responsible for evaluating certain risks and overseeing the management of such risks, the entire board of directors will be regularly informed through committee reports and by the chief executive officer about the known risks to the strategy and the business.

### **Executive Officers Following the Separation**

The following table sets forth information regarding the individuals who we expect to serve as our executive officers following the Separation. We are in the process of finalizing the titles and responsibilities of our executive officers following the Separation, and as such we will provide additional information regarding our management in an amendment to the Form 10 of which this Information Statement forms a part.

The individuals who are expected to serve as our executive officers who are employees of Masco prior to the Separation are expected to transfer from their respective employment with Masco to TopBuild and resign from any officer roles with Masco concurrently with the completion of the Separation.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Gerald Volas	60	Chief Executive Officer
Robert M. Buck	45	President and Chief Operating Officer
John S. Peterson	56	Chief Financial Officer

There are no family relationships among any of the officers named above. Set forth below is information about the executive officers identified above. See "—Directors Following the Separation" for Mr. Volas' biographical information.

**Robert M. Buck.** Mr. Buck, 45, was appointed Group Vice President of Masco Corporation in 2014. In this position, Mr. Buck is responsible for the Installation and Other Services Segment consisting of both TruTeam Contractor Services and Service Partners, LLC. Mr. Buck has served as President and Chief Executive Officer of TruTeam Contractor Services since 2011. He has been responsible for leading the team that has turned around the Installation business over the past three years. Mr. Buck began his career with Masco Corporation in 1997 at Liberty Hardware Mfg. Corp. where he spent eight years in several operations leadership roles and worked extensively in international operations. Mr. Buck became Executive Vice President in 2005 and helped lead the

merger of another Masco company with Liberty Hardware before being promoted to the office of President in 2007. Mr. Buck holds a Masters of Business Administration from the University of North Carolina at Greensboro.

***John S. Peterson.*** Mr. Peterson, 56, has been the Executive Vice President, Chief Financial Officer of TruTeam Contractor Services since November 2010. From 2006 to 2010, he was the Chief Financial Officer of Masco Retail Cabinet Group, a Masco subsidiary. From 2001 to 2006, he was the Vice President—Finance for Biolab and from 1998 to 2001, he was the Vice President—Finance, Performance Chemicals Division, both subsidiaries of Great Lakes Chemical, which has since changed its name to Chemtura Corporation. Mr. Peterson holds a Masters of Business Administration from the University of Indianapolis.

## COMPENSATION DISCUSSION AND ANALYSIS

### Executive Summary

For purposes of this Compensation Discussion and Analysis and the disclosure under "Compensation of Executive Officers," the three persons who we currently expect will be our named executive officers as of the distribution date are identified below (collectively, our "named executive officers"). The information provided reflects summary information concerning TopBuild's executive compensation approach developed to date in connection with planning for the Separation.

As a result, this Compensation Discussion and Analysis has two main parts:

- **TopBuild Compensation Programs**—This section discusses the anticipated executive compensation programs at TopBuild, including the effect of the Separation on outstanding Masco compensation awards held by our named executive officers.
- **2014 Masco Executive Compensation**—This section describes the executive compensation programs at Masco in 2014.

Our named executive officers are as follows:

<u>Name</u>	<u>TopBuild Title</u>	<u>2014 Masco Title</u>
Gerald Volas	Chief Executive Officer	Masco Group President—North American Diversified Businesses
Robert M. Buck	President and Chief Operating Officer	Masco Group Vice President and Masco Contractor Services President and Chief Executive Officer
John S. Peterson	Chief Financial Officer	Masco Contractor Services Executive Vice President and Chief Financial Officer

Masco's Organization and Compensation Committee (which we refer to in this Compensation Discussion and Analysis as the "Masco Committee") oversees Masco's compensation programs. Executive compensation decisions following the Separation will be made by the Organization and Compensation Committee of TopBuild (our "Compensation Committee"), which will, as does the Masco Committee, consist entirely of independent directors.

### TopBuild Compensation Programs

We recognize the importance of attracting and retaining executive officers who can effectively lead our business and motivating them to maximize our corporate performance and create long-term value for our stockholders. We believe in rewarding our executive officers to a significant degree based on our performance. We expect our Compensation Committee to continue to thoughtfully and thoroughly analyze our compensation practices and programs after the Separation.

Masco's compensation programs are designed to incentivize executive officers to focus on critical business objectives, to appropriately balance risks and rewards and to attract and retain executive officers who can effectively lead our business. We expect that TopBuild will follow the fundamental principles of Masco's compensation programs to reward executive officers to a significant degree based on company performance, both in achieving performance goals and by making effective strategic decisions, and to align executive officers' interests with the long-term interests of stockholders.

The Masco Committee believes that having a significant ownership interest in stock is critical to aligning the interests of executive officers with the long-term interests of stockholders. Accordingly, equity grants in the form of restricted stock awards and stock options with extended vesting periods are an important component of compensation for executive officers. The value ultimately realized from



equity awards depends on the long-term performance of Masco common stock. We expect that TopBuild will follow this practice.

#### ***Executive Compensation Approach as an Independent Public Company***

We expect that TopBuild's compensation structure will be composed of the following primary components:

- base salary;
- annual cash bonus;
- annual restricted stock awards;
- annual stock options; and
- 401(k) retirement savings tax-qualified plan.

*Incentive Compensation.* We believe that a combination of performance-based restricted stock and stock options are appropriate vehicles for a small, newly public company to focus executives on long-term performance and alignment with stockholder interests. As with Masco's program, we expect the amount of annual restricted stock awards to be granted by the Compensation Committee will be based on the prior year's performance. In addition, we expect that some of our named executive officers will receive initial equity awards consisting of stock options and restricted stock to more tightly align their interests with those of TopBuild's stockholders. We do not expect to initially adopt a long-term cash performance program (such as Masco's LTCIP described below).

*TopBuild Peer Group.* In connection with preparations for the Separation, we have reviewed compensation surveys by AonHewitt and Towers Watson for U.S. public companies with \$1 billion to \$2 billion in sales and information provided by the Masco Committee's independent consultant. In addition, we have identified the following companies as comprising a likely initial peer group for TopBuild, based on similar business characteristics (in particular, installation and distribution of homebuilding products) and revenue size between \$700 million and \$3 billion:

- |  |                                   |
|--|-----------------------------------|
| • Armstrong World Industries, Inc.     | • A.O. Smith Corporation          |
| • Beacon Roofing Supply, Inc.          | • BlueLinx Holdings Inc.          |
| • Builders FirstSource, Inc.           | • Comfort Systems USA, Inc.       |
| • Gibraltar Industries, Inc.           | • MSC Industrial Direct Co., Inc. |
| • Nortek, Inc.                         | • Ply Gem Holdings, Inc.          |
| • Quanex Building Products Corporation | • Simpson Manufacturing Co., Inc. |
| • Stock Building Supply Holdings, Inc. | • Universal Forest Products, Inc. |

*Other Benefit Plans.* We will provide health, welfare and retirement benefits to our employees, including our executive officers. Our retirement program will be a new 401(k) defined contribution savings plan, and we will not assume Masco's frozen defined benefit plan obligations.

In summary, TopBuild believes its approach for proposed post-Separation compensation for our named executive officers is consistent with external market practice and provides appropriate support and incentives to transition officers into new roles and public company responsibilities.

#### ***Compensation of Our Chief Executive Officer***

TopBuild expects to provide the following compensation to Mr. Volas in his capacity as Chief Executive Officer following the Separation:

- A base salary of \$700,000.

- Target bonus and stock award percentages at 100% of salary with a maximum opportunity of 200% of salary.
- Annual grants of TopBuild stock options with a Black-Scholes value of approximately \$700,000.
- An initial TopBuild equity grant of restricted stock and/or options with a total grant date value of approximately \$2.0 million.

In addition, Mr. Volas is the only TopBuild employee who participates in Masco's LTCIP. The Masco Committee expects to provide that he will remain eligible to receive a prorated portion (prorated through the date of the Separation) of his LTCIP from Masco based on actual Masco performance at the end of the applicable three-year periods.

TopBuild expects to enter into an agreement with Mr. Volas that would provide him severance benefits under specified termination events following the Separation. Any such agreement would not include any "golden parachute" excise tax gross-up payments.

*Compensation of the Other Named Executive Officers.* TopBuild expects to provide the following annual compensation to our other named executive officers following the Separation:

Name	Base Salary	Target Bonus, Target Stock Awards and Annual Stock Options (each
		as a % of salary)
Robert M. Buck	\$ 450,000	75%
John S. Peterson	\$ 370,000	60%

In addition, it is expected that each of Mr. Buck and Mr. Peterson will receive an initial TopBuild equity grant of restricted stock and/or options with a total grant date value of approximately \$1.0 million and \$0.5 million, respectively.

#### *Effects of the Separation on Outstanding Awards of Our Named Executive Officers*

The Separation of TopBuild is not a change-in-control and therefore will not entitle our named executive officers to any change-in-control benefits with respect to their outstanding awards.

We expect that Masco equity incentive compensation awards held by our named executive officers and our other employees generally will be treated as follows:

- TopBuild will replace any outstanding unvested Masco stock options and restricted stock awards held by individuals who are or will become employees of TopBuild, which options and awards are forfeited upon separation with Masco, with long-term TopBuild incentive awards of generally equivalent intrinsic value and retaining the same vesting schedules.
- Outstanding vested Masco stock options will remain as Masco stock options, and will be equitably adjusted to (1) preserve the intrinsic value of each original option grant and (2) reflect the ratio of the exercise price to the fair market value of Masco common stock on the date of the Separation. Employees of TopBuild will have the period of time provided in the Masco Equity Plan and option agreement to exercise these adjusted options, following their separation with Masco.

For a summary of provisions concerning retirement, health and welfare benefits to our employees upon completion of the Separation, see "The Separation—Agreements with Masco—Employee Matters Agreement."

### ***Compensation Practices***

We expect that TopBuild will adopt the following practices, similar to those of Masco:

- a compensation mix weighted toward incentives based on performance;
- no excise tax gross-ups;
- double-trigger vesting of equity on a change in control;
- an annual market analysis of executive compensation relative to peer companies and published survey data for comparably-sized companies;
- only limited perquisites to our executive officers; and
- prohibiting the repricing of options under our equity plan.

Our Compensation Committee believes it is in TopBuild's interest to retain flexibility in its compensation programs. Consequently, in some circumstances, TopBuild may pay compensation that is not tax-deductible by TopBuild.

### **2014 Masco Executive Compensation**

The primary components of the compensation available from Masco to our TopBuild named executive officers in 2014 were base salary, cash and equity incentives and retirement programs. Each of these components is described below.

#### *Base Salary*

Masco pays a base salary to provide a minimum, base level of cash compensation. For fiscal 2014, the base salary for each of our named executive officers, as set forth in the "Summary Compensation Table" below, was based on their respective roles within Masco.

#### *2014 Annual Performance-Based Restricted Stock and Cash Bonus Opportunities*

Masco provided annual performance-based restricted stock and cash bonus opportunities for fiscal 2014 to our named executive officers to emphasize annual performance, provide incentive to achieve critical business objectives, and align officers' interests with those of Masco's stockholders. As an executive officer of Masco, Mr. Volas participated in the same 2014 program as other Masco executive officers, with his performance-based compensation opportunities dependent on Masco's performance as a whole. Our other named executive officers' 2014 performance-based restricted stock and cash bonus opportunities were based on the performance of Contractor Services (while it was a part of Masco). As a result, the 2014 performance program may not be indicative of the amounts and metrics that may be used by us following the Separation.

Each named executive officer had a restricted stock award opportunity and a cash bonus opportunity, calculated as a percent of the officer's annual base salary, as set forth in the table below. The individual percentages were determined primarily based on the individual officer's role and function within Masco or the business unit, as applicable.

Name	Cash Bonus Opportunity As a % of Annual Base Salary			Stock Awards Opportunity As a % of Annual Base Salary		
	Minimum	Target	Maximum	Minimum	Target	Maximum
Gerald Volas	0%	75%	150%	0%	75%	150%
Robert Buck	0%	50%	100%	0%	75%	150%
John Peterson	0%	35%	70%	0%	35%	70%

The metrics chosen for the 2014 annual performance program are set forth below. These metrics were those believed to most effectively enhance stockholder value. Operating profit was more heavily weighted in both Masco's program as well as the Contractor Services program because it reflects management's contribution to operating performance.

The following tables show target and actual performance for each metric along with percentage attained for the 2014 annual performance program both for the Masco program (for Mr. Volas) and for our Contractor Services program (for Messrs. Buck and Peterson). Generally, the targets for 2014 were set above our 2013 targets.

#### Masco's Annual Performance Goals and Achievements

Performance Metric	Threshold (40% Payout)	Target (100% Payout)	Maximum (200% Payout)	Actual as Adjusted	Actual Percentage Attained Relative to Target	Weighting	Actual Weighted Performance Percentage
Operating Profit (in millions)(1)	\$ 750	\$ 930	\$ 1,080	\$ 851	73%	75%	55%
Working Capital as a Percent of Sales(2)	12.8%	12.2%	11.2%	12.2%	100%	25%	25%
							80%

#### Contractor Services' Annual Performance Goals and Achievements

Performance Metric	Threshold (40% Payout)	Target (100% Payout)	Maximum (200% Payout)	Actual as Adjusted	Actual Percentage Attained Relative to Target	Weighting	Actual Weighted Performance Percentage
Operating Profit (in millions)(1)	\$ 32	\$ 56	\$ 80	\$ 24	0%	70%	0%
Average Working Capital Days	(6)	(10)	(14)	(18)	200%	10%	20%
Non-Residential New Construction Net Sales (in millions)	\$ 290	\$ 310	\$ 340	\$ 311	105%	20%	21%
							41%

(1) For purposes of determining achievement of the performance target, operating profit from continuing operations was adjusted to exclude the effects of rationalization and other special charges and other unusual non-recurring gains and losses.

(2) Working capital as a percent of sales is defined as quarter-end averages of reported accounts receivable and inventories, less accounts payable, divided by reported sales for the year.

To determine the actual cash bonuses to be paid, and restricted stock award values to be granted, to our named executive officers based on the 2014 performance achievements set forth above, the target opportunities for each executive officer were multiplied by their applicable payout percentage (that is, 80% for Mr. Volas under the Masco program, and 41% for Messrs. Peterson and Buck under the Contractor Services program), which was in turn multiplied by each executive officer's base salary. For Messrs. Peterson and Buck, their individual amounts were increased by \$10,080 and \$18,000, respectively, due to their strong individual performance contributions in 2014.

### Stock Options

Masco has granted stock options annually to its executive officers to motivate and reward them for improving Masco's share price, to align their long-term interests with those of stockholders and to maintain the competitiveness of the total compensation package. As a Masco executive officer, Mr. Volas received stock options in 2014. The Masco Committee believes that stock options are an important component of the executive compensation program because they align executive officers' long-term interests with those of stockholders by reinforcing the goal of long-term share price appreciation. Further, they provide value to executive officers only if the price of Masco common stock increases following the grant of the stock options and over their long vesting schedule.

### Long Term Cash Incentive Program

Mr. Volas is our only named executive officer who participated in Masco's Long Term Cash Incentive Program ("LTCIP"). The cash performance awards granted in 2014 under the LTCIP (reflected in the "Grants of Plan-Based Awards" table below) will be earned only if Masco achieves long-term growth and profitability, measured by the achievement of return on invested capital ("ROIC") goals over a three-year period from 2014 to 2016. The Masco Committee chose the ROIC performance metric because it reinforces executive officers' focus on capital efficiency and consistent return on capital and is a measure of importance to Masco stockholders in their assessment of long-term value creation. Under the LTCIP, Masco defines ROIC as adjusted after-tax operating income from continuing operations adjusted to exclude the effect of special charges and certain other non-recurring income and expenses, divided by invested capital. Invested capital includes shareholders equity, which Masco adjusts to add back the cumulative after-tax impact of goodwill and intangible asset impairment charges and to exclude the impact of certain non-operating income and expenses and the effects of special charges, plus short-term and long-term debt minus cash.

Under the LTCIP, Masco measures performance over three annual performance periods, with the average results for the three annual performance periods determining the amount of any award. Performance goals are established at the start of each three-year period.

If the threshold three-year average ROIC is attained, Masco will determine the actual award to be paid under the LTCIP by multiplying the target opportunity for the officer by the payout percentage corresponding to the actual three-year average ROIC achieved. If the ROIC threshold is not achieved, no payments will be made under the LTCIP.

As a result of the achievement for the three-year performance period under the LTCIP for the 2012-2014 period, Mr. Volas received a payout included in the Summary Compensation Table below based on the following targets and results:

	Three-Year Average ROIC			Actual
	Target			
	Threshold	Target	Maximum	
	(40% Payout)	(100% Payout)	(200% Payout)	
2012 - 2014 Performance Period	6.00%	7.00%	8.50%	8.53%

As a result, Mr. Volas received a payment under the LTCIP for the 2012-2014 period determined by multiplying his target opportunity (which was 75% of his salary in 2012) by 200%, the maximum payout percentage under the LTCIP.

With respect to ongoing three-year periods under the LTCIP that have not ended as of the Separation date, TopBuild will not assume Mr. Volas' LTCIP award. Instead, he will remain eligible for a future prorated payout from Masco based on Masco's actual performance at the end of the

applicable three-year periods, but prorated to reflect the conclusion of his employment with Masco at the Separation date.

#### *Retirement Programs*

Masco maintains defined contribution retirement plans for all of its employees to provide them with income to supplement social security and their personal asset accumulation. These plans include 401(k) savings plans and profit sharing plans. Our named executive officers are eligible to participate in Masco's tax-qualified 401(k) savings plan (the "401(k) Savings Plan") and a tax-qualified Future Service Profit Sharing Plan (the "Profit Sharing Plan"), as well as, in some cases, a benefits restoration plan (the "BRP"). The BRP enables highly-compensated employees to obtain the full financial benefit of the 401(k) Savings Plan and the Profit Sharing Plan, notwithstanding various limitations imposed on the plans under the Internal Revenue Code (the "Code").

Mr. Volas is the only named executive officer who is eligible for the frozen non-qualified defined benefit Supplemental Executive Retirement Plan ("SERP") and for a tax-qualified defined benefit pension. In 2010, Masco froze accruals in all of its defined benefits plans offered to its U.S. employees. Consequently, the pension benefits ultimately payable under such plans are essentially fixed. No Masco defined benefit plans are being assumed by TopBuild.

## COMPENSATION OF EXECUTIVE OFFICERS

### Summary Compensation Table

The following table sets forth certain information regarding compensation paid to the named executive officers of TopBuild.

**2014 Summary Compensation Table**

Name and Principal Position	Year(1)	Salary \$(2)	Stock Awards \$(3)(4)	Option Awards \$(3)	Non-Equity Incentive Plan Compensation \$(5)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings \$(6)	All Other Compensation (\$)	Total (\$)
Gerald Volas, Chief Executive Officer	2014	507,442	614,930	345,463	1,021,500	1,347,615	65,765	3,902,715
Robert M. Buck, President and Chief Operating Officer	2014	380,335	328,082	—	100,000	—	17,500	825,917
John S. Peterson, Chief Financial Officer	2014	306,192	149,923	—	56,000	—	17,500	529,615

- (1) In 2014, the named executive officers were employed by, and were compensated by, Masco or its subsidiaries.
- (2) These columns include amounts voluntarily deferred by each named executive officer as salary reductions under the 401(k) Savings Plan.
- (3) Amounts in these columns reflect the aggregate grant date fair value of restricted stock awards and stock options, calculated in accordance with accounting guidance. In determining the fair market value of stock options, we used the same assumptions as set forth in the notes to Masco's financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014. The named executive officers have no assurance that these amounts will be realized. They only realize the value of restricted stock awards over the vesting period. Actual gains, if any, on stock option exercises will depend on overall market conditions, the future performance of the common stock and the timing of exercise of the option. See the "Compensation Discussion and Analysis" for a discussion of the treatment of Masco equity awards upon the Separation.
- (4) In accordance with SEC requirements, the amounts reported reflect restricted stock awards granted in 2014 although they were granted for 2013 performance.
- (5) This column shows performance-based cash bonuses that were paid for the fiscal year based on the attainment of performance targets. For Mr. Volas, includes a payment of \$712,500 under the Masco LTCIP for the 2012-2014 performance period, as described in the "Compensation Discussion and Analysis".
- (6) This column shows changes in the sum of year-end pension values for Mr. Volas (the only named executive officer who participated in any defined benefit pension plan), which reflect actuarial factors and variations in interest rates used to calculate present values. An increase in pension value does not represent increased benefit accruals since benefits in Masco's domestic defined benefit plans were frozen effective January 1, 2010 (as described under the "2014 Pension Plan Table" below). We calculated the pension values for 2014 using the same assumptions as set forth in the notes to Masco's financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2014. The named executive officers did not have any above-market earnings under any of the plans in which they participate.

### Grants of Plan-Based Awards

The following table provides information about (i) the potential payouts that were available in 2014 to our named executive officers under Masco's annual performance-based cash bonus opportunity, (ii) for Mr. Volas, the potential payouts under Masco's Long Term Cash Incentive Program ("LTCIP") and (iii) the actual grants of restricted stock and stock options made in 2014 to our named executive officers under Masco's 2005 Long Term Stock Incentive Plan (the "2005 Plan"). The "Compensation Discussion and Analysis" above describes the expected treatment of Masco equity awards in connection with the Separation.

### 2014 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock(3)	All Other Option Awards: Number of Securities Underlying Options(4)	Exercise or Base Price of Option Awards (\$ Per Share)	Grant Date Fair Value of Stock and Option Awards \$(5)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Gerald Volas	n/a(1)	\$ 154,500	\$ 386,250	\$ 772,500				
	n/a(2)	\$ 150,000	\$ 375,000	\$ 750,000				
	2/12/2014				27,440			\$ 614,930
	2/12/2014					36,250	\$ 22.41	\$ 345,463
Robert M. Buck	n/a(1)	\$ 80,000	\$ 200,000	\$ 400,000				
	2/12/2014				14,640			\$ 328,082
John S. Peterson	n/a(1)	\$ 44,800	\$ 112,000	\$ 224,000				
	2/12/2014				6,690			\$ 149,923

- (1) The amounts shown reflect the threshold, target, and maximum opportunities under the 2014 annual cash bonus program. The amounts actually paid under this program are set forth in the "2014 Summary Compensation Table" above.
- (2) The amounts shown reflect the threshold, target, and maximum opportunities under the LTCIP relating to Masco's performance for the 2014-2016 performance period. Payment of this cash award depends on return on invested capital performance over the three-year period.
- (3) In accordance with SEC requirements, the amounts shown reflect restricted stock awards granted in 2014, although they were granted for 2013 performance.
- (4) The amounts shown reflect the number of stock options granted in 2014. These options vest ratably in five equal installments over five years beginning on February 12, 2015, one year after the grant date.
- (5) The grant date fair value shown in the column is determined in accordance with accounting guidance. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of our common stock at a future date when the option is exercised.

### Outstanding Equity Awards at Fiscal Year-End

The following sets forth certain information regarding Masco equity-based awards held by each named executive officer at December 31, 2014. See "Compensation Discussion and Analysis—Effects of the Separation on Outstanding Awards of our Named Executive Officers" for a description of the expected treatment of Masco equity awards as a result of the Separation.



# 2014 Outstanding Equity Awards at Fiscal Year-End

Name	Grant Date	Option Awards(1)				Restricted Stock Awards(1)	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)
Gerald Volas	5/9/2005	30,000	—	30.75	5/9/2015	106,702	2,688,890
	7/26/2006	40,000	—	26.60	7/26/2016		
	2/5/2007	40,000	—	33.10	2/5/2017		
	5/24/2007	54,000	—	30.40	5/24/2017		
	5/12/2008	92,000	—	18.58	5/12/2018		
	2/9/2009	18,400	—	8.03	2/9/2019		
	2/12/2010	116,000	29,000	13.81	2/12/2020		
	2/16/2011	87,000	58,000	12.82	2/16/2021		
	2/15/2012	29,000	43,500	11.67	2/15/2022		
	2/13/2013	14,500	58,000	20.36	2/13/2023		
	2/12/2014	—	36,250	22.41	2/12/2024		
Robert M. Buck	5/9/2005	10,000	—	30.75	5/9/2015	60,132	1,515,326
	7/26/2006	10,700	—	26.60	7/26/2016		
	5/24/2007	10,700	—	30.40	5/24/2017		
	2/12/2010	—	6,800	13.81	2/12/2020		
John S. Peterson	7/26/2006	4,500	—	26.60	7/26/2016	22,559	568,487
	5/24/2007	4,500	—	30.40	5/24/2017		
	2/12/2010	—	2,400	13.81	2/12/2020		

- (1) Except as otherwise noted, stock options and restricted stock awards vest in equal annual installments of 20% commencing in the year following the year of grant.
- (2) Based on Masco's closing stock price of \$25.20 on December 31, 2014.

## Option Exercises and Stock Vested

The following table shows the number of Masco shares acquired, and the value realized, by each of our named executive officers during 2014, in connection with their exercise of Masco stock options and vesting of Masco restricted stock previously awarded to them.

## 2014 Option Exercises and Stock Vested

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Gerald Volas	0	0	29,054	672,073
Robert M. Buck	5,226	165,091	16,366	378,641
John S. Peterson	2,615	83,478	6,096	140,210

## Retirement Plans

The following two tables describe benefits under Masco's retirement plans, which will not be assumed by TopBuild (individual accounts in Masco's 401(k) and profit sharing plans for all employees of TopBuild will be transferred to TopBuild's new 401(k) savings plan). The defined benefit pension plans described below were frozen for future benefit accruals effective January 1, 2010. None of our named executive officers other than Mr. Volas is eligible for benefits under Masco's defined benefit pension plans.

### 2014 Non-Qualified Deferred Compensation (Defined Contribution Portion of the Benefits Restoration Plan)

Name	Masco Allocations for 2014 \$(1)(2)	Aggregate Earnings in 2014 \$(1)	Aggregate Withdrawals/ Distributions \$(3)	Aggregate Balance at December 31, 2014 \$(3)
Gerald Volas	44,185	8,299	—	238,018
Robert M. Buck	7,100	5,508	—	110,785
John S. Peterson	7,100	3,901	—	58,213

- (1) Masco's defined contribution plans include a tax-qualified Profit Sharing Plan and a tax-qualified 401(k) Savings Plan that includes matching contributions by Masco. However, because of limitations under the tax code, Masco makes book account allocations under the benefits restoration plan ("BRP") for highly compensated employees to reflect contribution amounts that otherwise exceed those limitations, together with amounts reflecting pro-forma earnings (or losses) on participants' accounts based on the performance reported by the several mutual fund offerings chosen by each participant. Following a participant's termination of employment, the BRP benefit is paid in a lump sum.
- (2) Amounts in this column are included in "All Other Compensation" in the 2014 Summary Compensation Table.
- (3) Because none of our named executive officers has previously been a Masco named executive officer, no amounts have previously been reported as compensation in a Summary Compensation Table.

### 2014 Pension Plan Table

Name	Plan Name	Number of Years Credited Service (#)(3)	Present Value of Accumulated Benefits \$(4)
Gerald Volas	Pension Plan(1)	26	814,628
	Defined Benefit Portion—BRP(1)	26	757,265
	SERP(2)	15	4,475,986

- (1) The frozen tax-qualified Masco Corporation Pension Plan (the "Pension Plan"), and a portion of the non-qualified BRP applicable to the Pension Plan, provide that at normal retirement age (65), participants receive an annual payment for the remainder of their lives, with five years' payments guaranteed. Employees became 100% vested in their pension benefit after completing five years of employment with Masco. The benefits are not subject to reduction for social security benefits or for other offsets. Participants who retire or terminate employment with us are eligible for a reduced early retirement benefit between age 55 and 65. If a participant retires or terminates employment and commences payments at age 55, his or her benefit would be reduced by one-half; if he or she retires and commences payments at age 60, the benefit would be reduced by one-third.

The maximum credited service under the Pension Plan and the defined benefit portion of the BRP was 30 years. A participant who becomes disabled while employed by Masco and has 10 or more years of service with Masco is eligible to receive a disability benefit equal to the participant's accrued benefit. Benefits accrued under the Pension Plan and the portion of the BRP applicable to the Pension Plan were frozen as of January 1, 2010.

- (2) Under the frozen non-qualified Supplemental Executive Retirement Plan ("SERP"), participants receive an annual payment for life of an amount up to 60% of the average of their highest three years' cash compensation (base salary plus annual cash bonus, up to 60% of that year's maximum bonus opportunity) earned on or before January 1, 2010. SERP payments are offset by amounts payable under the Pension Plan and the Profit Sharing Plan balance as of January 1, 2010 and the portions of the BRP applicable to those plans, and, in most cases, by retirement benefits payable to the SERP participant by other employers. Benefits under the SERP are not payable in a lump sum, other than in the case of a change in control or alternate change in control. The maximum benefit under the SERP accrues after 15 years, limited to service accrued at January 1, 2010. Mr. Volas is fully accrued and fully vested in his SERP benefit. SERP benefits are not payable to a terminated participant until age 65, provided no change in control or alternate change in control of Masco has occurred. Participants must refrain from activities negatively impacting Masco's or TopBuild's business following termination of employment in order to continue to receive SERP benefits. The SERP provides a disability benefit for participants who have been employed by Masco at least two years and who become disabled while employed by Masco. The disability benefit is paid until the earlier to occur of death, recovery from disability or age 65, is offset by payments from long-term disability insurance Masco has paid for, and is equal to 60% of the participant's annual salary and bonus (up to 60% of the maximum bonus opportunity) as of January 1, 2010. At age 65, payments revert to a calculation based on the highest three-year average compensation as of January 1, 2010. Under the SERP, participants and their spouses may also receive medical benefits. A change in control or alternate change in control accelerates full vesting, may accelerate the payment of benefits (calculated on a present value basis) and may result in payment of an amount for any related excise taxes, as discussed below under "Payments Upon Change in Control." A surviving spouse will receive reduced benefits.
- (3) Reflects credited service through January 1, 2010, the date on which Masco's defined benefit pension plans were frozen, for years of employment with Masco, its subsidiaries or certain of its prior affiliates and their subsidiaries. Credited service under the SERP includes service through January 1, 2010 only with Masco and businesses in which Masco had a 50% or greater interest.
- (4) Amounts in this column were calculated as of December 31, 2014 using the normal form of benefit payable under each plan using (a) base pay only for the Pension Plan and BRP, (b) base pay plus cash bonus for the SERP, and (c) the same discount rates and mortality assumptions as described in the notes to financial statements in Masco's Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Although SEC disclosure rules require a present value calculation, none of these plans (other than the SERP and the BRP, in the event of a change in control or alternate change in control) provides benefits in a lump sum.

#### **Payments Upon Change in Control**

If Masco experienced a change in control, its equity incentive plans provide that all participants, including the named executive officers, could receive accelerated vesting and reimbursement (limited, for equity grants, to those awards made prior to 2012) in the case of imposition of excise tax upon a change in control.

The following table sets forth the values of all payments (other than from our tax-qualified and non-qualified retirement plans which are set forth above under "Retirement Plans") assuming a change in control of Masco had occurred on December 31, 2014.

#### Payments Upon a Change in Control

Name	Cash (\$)	Equity \$(1)	SERP and BRP Payments(2)	Perquisites (\$)	Excise Tax Reimbursement \$(3)	Other (\$)	Total (\$)
Gerald Volas	—	4,707,653	5,388,996	—	—	—	10,096,649
Robert M. Buck	—	1,592,778	117,885	—	—	—	1,710,663
John S. Peterson	—	595,823	65,313	—	—	—	661,136

- (1) A change in control would trigger vesting (assuming a qualifying termination of employment also occurred with respect to awards granted beginning in 2013) of unvested restricted stock and stock option awards. This column is comprised of the incremental values for vestings of such awards, based Masco's closing stock price of \$25.20 on December 31, 2014.
- (2) Amounts calculated for both the SERP and the BRP utilize the discount rates and mortality assumptions equal to the Pension Benefit Guarantee Corporation discount rates for lump sums in plan terminations, as in effect four months prior to the change in control or alternate change in control, and the UP-1984 mortality table (both of which differ from the rates and assumptions used to calculate the lump sums set forth in the Pension Plan Table). If a change in control occurs that does not meet the narrower "alternate change in control" definition, lesser lump sum values (reflecting the portion of benefits not subject to Code Section 409A) would be payable, and the portion of benefits subject to Section 409A would not be paid in a lump sum but would be paid over time, as if such event had not occurred. Prior to 2008, the BRP had no change in control provision; it was amended to provide that any change in control would result in funding a trust, but the indicated lump sum benefits would be payable only upon the occurrence of an "alternate change in control," whereas in the case of the more broadly-defined "change in control," benefits would not be paid in a lump sum, but would be paid over time, as if such event had not occurred. Amounts in this column also include amounts shown in the "2014 Non-Qualified Deferred Compensation" table above under "Aggregate Balance" and "Masco Allocations".
- (3) Excise tax reimbursements apply only to agreements and equity grants entered into prior to 2012. At December 31, 2014, no individual's payments would have exceeded applicable limits in the Code for parachute payments; therefore, no amounts are shown in this column.

#### Payments Upon Retirement, Termination, Disability Or Death

##### *Masco Retirement Plans and Long-Term Disability Policy*

Upon retirement at or after age 65, or if voluntary or involuntary termination of employment had occurred on December 31, 2014, Mr. Volas would be fully vested in the present value of accumulated benefits shown in the last column of the "2014 Pension Plan Table" above, as well as the amounts in the "2014 Non-Qualified Deferred Compensation" table above, and benefits would become payable under the plans, as described above. The values shown in the 2014 Pension Plan Table would be paid on a monthly basis and not as lump sum payments. All payments referred to above would be made by Masco, other than Pension Plan payments, which would be made from the trust established pursuant to the Pension Plan.

If disability had terminated employment of any of our named executive officers on December 31, 2014, under our long-term disability plan that officer would receive a maximum benefit of \$144,000 per year, payable from our long-term disability insurance policy; in addition, Mr. Volas would have received

a BRP disability benefit with respect to the underlying Pension Plan, plus the SERP disability benefit described above under "Supplemental Executive Retirement Plan." After reductions by the insured long-term disability benefit, resulting present values for disability benefits would have been \$6,677,616 for Mr. Volas; \$117,885 for Mr. Buck; and \$65,313 for Mr. Peterson. The disability benefit would terminate upon the earliest of death, recovery from disability or age 65, at which time the applicable retirement, termination or death benefits would become effective.

Medical benefits under the SERP, assuming the participant retired at age 65, became disabled, or terminated employment with at least an 80% vested SERP benefit, would have had a present value on December 31, 2014 of \$647,699 for Mr. Volas.

#### *Masco Equity Plans*

Absent an agreement for post-termination extended vesting, termination of employment, whether voluntary or involuntary would result in forfeiture to us of all of a named executive officer's unvested restricted stock awards and unvested stock options. Vested stock options remain exercisable for 30 days, in the case of voluntary termination, or three months, in the case of involuntary termination (with or without cause), but not beyond the originally-specified exercise period.

In the case of disability or death, whether before or after normal retirement date, all restrictions on restricted shares would lapse. Disability or death would cause all unvested stock options to become exercisable; in the case of disability, for the maximum period of time allowed under the original awards, and in the case of death, for up to a year, but not beyond any originally-specified exercise period. If death or disability had occurred on December 31, 2014, the value of restricted shares and options vesting (assuming exercise of the options) at such date, would be as shown in the "Equity" column and in Note 1 in the "Payments Upon Change in Control" table above.

By design, our restricted stock and stock option awards do not vest upon retirement. Instead, following retirement, equity awards generally continue to vest in accordance with the remaining vesting period. Notwithstanding the foregoing, any termination or change in control provisions in our equity plans applicable to our named executive officers are available generally to salaried employees participating in such plans.

#### **TopBuild Long-Term Incentive Plan**

We expect that prior to the separation, TopBuild will adopt, and Masco as sole stockholder of TopBuild will approve, the TopBuild 2015 Long-Term Incentive Plan (the "LTIP"). The LTIP will authorize us to issue up to a specified number of shares of our common stock pursuant to equity awards to our employees, consultants and directors, and to employees and consultants of our affiliates.

Any shares that are subject to awards under the LTIP that are forfeited, canceled or expired or withheld by us for payment of income taxes upon vesting of a restricted stock award or restricted stock units, will again become available for issuance under the LTIP, and such shares will not be charged against the maximum share limitation under the LTIP. Any awards settled in cash will not be counted against the maximum share reserve under the LTIP. However, shares delivered in payment of an option and shares that are repurchased by us with the proceeds from any option exercise, and any unissued shares resulting from the settlement of SARs in stock or net settlement of a stock option will not be returned to the number of shares available for issuance under the LTIP. A participant may receive multiple awards under the LTIP. Shares delivered under the LTIP will be authorized but unissued shares of our common stock, treasury shares or shares purchased in the open market or otherwise.

Under the LTIP, we may grant stock options, stock appreciation rights or SARs, restricted stock, restricted stock units, performance awards and dividend equivalents. Awards may be granted either

alone or in addition to, in tandem with or in substitution for any award granted under the LTIP or another plan of the Company or an affiliate.

*Restricted Stock.* A restricted stock award generally provides the recipient with all of the rights of a stockholder, including the right to vote the shares. Restricted stock is generally subject to certain forfeiture conditions as specified by our Compensation Committee and may not be transferred by the recipient until those restrictions lapse.

*Restricted Stock Units.* A restricted stock unit is the right to receive cash, other securities, other awards or other property, subject to the termination of a restricted period specified by our Compensation Committee. Restricted stock units are generally subject to forfeiture conditions and may not be transferred by the recipient until those restrictions lapse. Restricted stock units are not outstanding shares of stock and do not entitle a participant to voting or other rights; however, an award of restricted stock units may provide for the crediting of additional restricted stock units based on the value of dividends paid on our common stock while the award is outstanding.

*Stock Options.* Stock options are rights to purchase a specified number of shares of our common stock at an exercise price of at least 100 percent of the fair market value on the date of grant, except in the case of options granted in substitution of options previously granted by a company we may acquire or as a result of the Separation. The maximum term of an option awarded under the LTIP is ten years after the initial date of grant. There will be maximum annual amounts granted to any one participant as stock options.

*Stock Appreciation Rights.* A SAR entitles a recipient to receive, upon surrender of the SAR, cash equal to the excess of the fair market value of a specified number of shares of our common stock on the date the SAR is surrendered over the fair market value of such shares on the date of grant. There will be maximum annual amounts granted to any one participant as SARs.

*Performance Awards.* Performance awards may be denominated in, or payable in, cash, our common stock, or other securities or awards under the LTIP. Under the LTIP, there will be maximum annual amounts payable to any one participant as performance awards. Performance awards confer rights valued by our Compensation Committee and payable to (or exercisable by) the recipient when the recipient achieves performance goals during a specified performance period. Performance awards to executive officers under the LTIP that are intended to satisfy the requirements for performance-based compensation under Section 162(m) of the Internal Revenue Code (the "Code") will be subject to meeting performance goals from one or more of the following performance metrics (each as determined in accordance with generally accepted accounting principles and with such adjustments as set forth in the LTIP):

Cash flow	Operating profit	Revenue growth
Earnings per share	Quality measures	Revenues
EBIT	Return on assets	Safety measures
EBITDA	Return on equity	SG&A as a percent of sales
Gross margin	Return on invested capital	Total shareholder return
Gross profit	Return on net assets	Working capital
Net income	Return on net tangible assets	Working capital as a percent of sales
Operating margin	Return on sales	Working capital efficiency

The LTIP provides full vesting of unvested awards upon a change in control only if a participant fails to receive marketable replacement awards equal in value to awards outstanding at the time of the change in control or, having received such replacement awards, within a two-year period thereafter is terminated or resigns for specified reasons of "good cause" as determined by our Compensation Committee.

Our Board has the authority to terminate, suspend or discontinue the LTIP at any time, subject to limitations to the extent required by applicable rules and regulations.

## **DIRECTOR COMPENSATION**

As compensation for their service on our board of directors, our non-employee directors will receive an annual retainer of \$150,000, of which one-half will be paid in cash and one-half will be paid in the form of restricted stock. Additionally, our Chairman of the board of directors will receive an annual cash retainer of \$150,000 for service in this position. The additional annual retainers for serving as Chairman of the Audit Committee, Organization and Compensation Committee and Corporate Governance and Nominating Committee will be \$20,000, \$15,000 and \$10,000, respectively. Our directors who are also employees will not receive additional compensation for service as a director.

## OWNERSHIP OF OUR STOCK

As of the date of this Information Statement, all of the outstanding shares of TopBuild common stock are owned by Masco. After the Separation, Masco will not directly or indirectly own any of our common stock. The following table provides information with respect to the expected beneficial ownership of TopBuild common stock by (1) each identified director of TopBuild, (2) each Named Executive Officer, (3) all identified TopBuild executive officers and directors as a group and (4) each of Masco's current stockholders who we believe will be a beneficial owner of more than 5 percent of TopBuild outstanding common stock (assuming they maintain such ownership positions until the record date and through when the distribution for the Separation occurs) based on current publicly available information. Further information regarding beneficial ownership of TopBuild shares will be provided in an amendment to the Form 10 of which this Information Statement forms a part.

Except as otherwise noted in the footnotes below, each person or entity identified below is expected to have sole voting and investment power with respect to such securities. Following the distribution, TopBuild will have outstanding an aggregate of approximately [     ] shares of common stock based upon approximately [     ] shares of Masco common stock outstanding on [     ].

To the extent our directors and executive officers own Masco common stock at the record date for the distribution for the Separation, they will participate in the distribution on the same terms as other holders of Masco common stock.

The number of shares beneficially owned by each stockholder, director or officer is determined according to the rules of the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, shares are considered to be "beneficially" owned if a person, directly or indirectly, has sole or shared voting or investment power with respect to such shares. In addition, a person is deemed to beneficially own shares if that person has the right to acquire such shares within 60 days of [     ]. No executive officer or director holds any class of equity securities other than Masco common stock or Masco equity awards that may give them the right to acquire beneficial ownership of Masco common stock, and it is not expected that any of them will own any class of equity securities of TopBuild other than common stock following the distribution. Unless



otherwise indicated, the address for each beneficial owner who is also a director or executive officer is 260 Jimmy Ann Drive, Daytona Beach, Florida 32114.

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
<b>Named Executive Officers and Directors(1)</b>		
Gerald Volas		
Robert M. Buck		
John S. Peterson		
Dennis W. Archer		
Carl T. Camden		
Joseph S. Cantie		
Alec C Covington		
Mark A. Petrarca		
Margaret M. Whelan		
All executive officers and directors as a group ([·] individuals)		
<b>5% Holders(2)</b>		
BlackRock Inc.(3)	21,197,965	6%
40 East 52nd Street, New York, New York 10022		
Capital World Investors(4)	31,748,751	8.9%
333 South Hope Street, Los Angeles, California 90071		
The Vanguard Group(5)	27,238,709	7.6%
100 Vanguard Blvd., Malvern, Pennsylvania 19355		

\* Indicates that the percentage of beneficial ownership does not exceed 1% of the outstanding shares of common stock.

- (1) We are in the process of finalizing our executive officers and directors following the Separation, and we will provide further information regarding the stock ownership of our executive officers and directors in an amendment to the Form 10 of which this Information Statement forms a part.
- (2) Ownership information for expected 5% holders of TopBuild common stock is based on the number of Masco's outstanding shares of common stock.
- (3) Based on a Schedule 13G filed with the SEC on January 30, 2015, on December 31, 2014, BlackRock Inc. (through certain of its subsidiaries) beneficially owned 21,197,965 shares of Masco common stock, with sole voting power over 18,280,588 shares and sole dispositive power over all of the shares.
- (4) Based on a Schedule 13G filed with the SEC on February 13, 2015, on December 31, 2014, Capital World Investors is deemed to have beneficially owned and have sole voting power and sole dispositive power over 31,748,751 shares of Masco common stock as a result of Capital Research and Management Company acting as an investment advisor. Capital World Investors disclaims beneficial ownership of all of these shares.
- (5) Based on a Schedule 13G filed with the SEC on February 11, 2015, on December 31, 2014, The Vanguard Group and certain of its subsidiaries beneficially owned 27,238,709 shares of Masco common stock, with sole voting power over 607,788 shares, sole dispositive power over 26,653,004 shares and shared dispositive power over 585,705 shares.

## DESCRIPTION OF CAPITAL STOCK

*The following descriptions are summaries of the material terms of our certificate of incorporation and our bylaws that will be in effect immediately following the Separation. Reference is made to the more detailed provisions of the certificate of incorporation and bylaws, copies of which will be filed (in final form) with the SEC as exhibits to the registration statement on Form 10 of which this Information Statement is a part, and applicable law.*

### General

Upon completion of the Separation, we will be authorized to issue [    ] shares of common stock, par value \$1.00 per share, and [    ] shares of preferred stock, par value \$[    ] per share

### Common Stock

*Common stock outstanding.* Upon completion of the Separation, we expect there will be approximately [    ] shares of our common stock outstanding, to be held of record by [    ] stockholders based upon approximately [    ] shares of Masco common stock outstanding as of [    ], 2015, applying the distribution ratio of one share of our common stock for every [    ] shares of Masco common stock. All outstanding shares of common stock are fully paid and non-assessable, and the shares of common stock to be issued upon completion of the Separation will be fully paid and non-assessable.

*Voting rights.* The holders of common stock are entitled to one vote per share on all matters to be voted on by stockholders. Holders of shares of common stock are not entitled to cumulate their votes in the election of directors. Generally, all matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast by the holders of common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock.

*Dividends.* Subject to the preferences that may be applicable to any outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the board of directors out of funds legally available. See "Dividend Policy."

*Rights upon liquidation.* In the event of a liquidation, dissolution or winding up of our company, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

*Other rights.* The holders of our common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock.

### Preferred Stock

Our board of directors has the authority to issue, without further vote or action by our stockholders, the preferred stock in one or more series and to fix the designations, powers, preferences and relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series or the designation of such series.

The issuance of preferred stock could adversely affect the voting power of the holders of the common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of TopBuild without further action by our stockholders and may

adversely affect the voting and other rights of the holders of common stock. At present, TopBuild has no plans to issue any of the preferred stock.

#### **Election and Removal of Directors**

We expect that our board of directors will initially consist of seven directors, and thereafter, the number of directors will be fixed exclusively by one or more resolutions adopted from time to time solely by the affirmative vote of a majority of the board of directors. No director is removable by the stockholders except for cause, and directors may be removed for cause only by an affirmative vote of a majority of the total voting power of outstanding securities generally entitled to vote in the election of directors. Any vacancy occurring on the board of directors and any newly created directorship may be filled only by a majority of the remaining directors in office (although less than a quorum) or by the sole remaining director.

#### **Classified Board of Directors**

Our board of directors is divided into three classes serving staggered three-year terms. Class I, Class II and Class III directors will initially serve until our annual meetings of stockholders in 2016, 2017 and 2018, respectively. At each annual meeting of stockholders, directors will be elected for three-year terms to succeed the class of directors whose terms have expired. This classification of our board of directors could have the effect of increasing the length of time necessary to change the composition of a majority of the board of directors. In general, at least two annual meetings of stockholders will be necessary for stockholders to effect a change in a majority of the members of the board of directors. See "Management—Directors Following the Separation."

#### **Limits on Written Consents**

Our certificate of incorporation and bylaws provide that holders of our common stock will not be able to act by written consent without a stockholder meeting.

#### **Stockholder Meetings**

Our certificate of incorporation and bylaws provide that special meetings of our common stockholders may be called only by the Chairman of the Board of Directors, the Chief Executive Officer or the President and shall be called by the Chairman of the Board of Directors, Chief Executive Officer, President or the Secretary, on the written request of three directors. Our bylaws provide that business transacted at any special meeting will be limited to the purposes stated in the notice of such meeting.

#### **Amendment of Certificate of Incorporation**

Our certificate of incorporation provides that the amendment of the provisions described under "Common Stock—Voting Rights," "Amendment of Bylaws," "Election and Removal of Directors," "Classified Board of Directors," "Limits on Written Consents," and "Stockholder Meetings" require the affirmative vote of holders of at least 80% of the total voting power of our outstanding securities generally entitled to vote in the election of directors, voting together as a single class. Pursuant to Delaware law, the affirmative vote of holders of at least a majority of the voting power of our outstanding shares of stock will generally be required to amend other provisions of our certificate of incorporation.

## **Amendment of Bylaws**

Our bylaws are generally subject to alteration, amendment or repeal, and new bylaws may be adopted, with:

- the affirmative vote of a majority of the whole board; or
- the affirmative vote of holders of 80% of the total voting power of our outstanding securities generally entitled to vote in the election of directors, voting together as a single class.

## **Other Limitations on Stockholder Actions**

Our bylaws also impose some procedural requirements on stockholders who wish to make nominations in the election of directors or propose any other business to be brought before an annual or, if applicable, special meeting of stockholders.

Under these procedural requirements, in order to nominate a director or bring a proposal for any other business before a meeting of stockholders, a stockholder is required to deliver timely notice of the nomination or proposal pertaining to a proper subject for presentation at the meeting to our corporate secretary along with, among other things, the following:

- information relating to each director nominee, if any, required to be disclosed in the solicitation of proxies for the election of directors pursuant to the Exchange Act;
- a reasonably detailed description of any compensatory, payment or other financial agreement, arrangement or understanding that the director nominee has with any other person or entity other than the Corporation in connection with candidacy or service as a director of the Corporation;
- a brief description of the business, if any, to be brought before the meeting, the text of the proposal or business, the reasons for conducting such business at the meeting, and any material interest of the stockholder or beneficial owner in the proposal;
- the name and address of the stockholder and the beneficial owner, if any, on whose behalf the nomination or proposal is made;
- for each class or series of stock, the number of shares beneficially owned by the stockholder and beneficial owner and a representation that the stockholder is a holder of record entitled to vote at the meeting; and
- a description of any agreement, arrangement or understanding that has been entered into by or on behalf of, or any other agreement, arrangement or understanding that has been made, the effect or intent of which is to create or mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, the stockholder or beneficial owner or any nominee with respect to our securities.

To be timely, a stockholder is generally required to deliver notice:

- in connection with an annual meeting of stockholders, not less than 120 nor more than 150 days prior to the first anniversary of the annual meeting of stockholders held in the immediately preceding year, but in the event that the date of the annual meeting is more than 30 days before or more than 70 days after the anniversary date of the preceding annual meeting of stockholders, a stockholder notice will be timely if received by us no earlier than 120 days prior to the annual meeting and no later than the later of 70 days prior to the date of the annual meeting or the 10th day following the day on which we first publicly announced the date of the annual meeting; or

- in connection with the election of a director at a special meeting of stockholders, not earlier than 150 days prior to the date of the special meeting nor more than the later of 120 days prior to the date of the special meeting or the 10th day following the day on which we first publicly announced the date of the special meeting.

If a stockholder fails to follow the required procedures, the stockholder's proposal or nominee will be ineligible and will not be voted on by our stockholders.

#### **Limitation of Liability of Directors and Officers**

Our certificate of incorporation provides that no director will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except as required by applicable law, as in effect from time to time. Currently, Delaware law requires that liability be imposed only for the following:

- any breach of the director's duty of loyalty to our company or our stockholders;
- any act or omission not in good faith or which involved intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; and
- any transaction from which the director derived an improper personal benefit.

As a result, neither we nor our stockholders have the right, including through stockholders' derivative suits on our behalf, to recover monetary damages against a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above.

Our certificate of incorporation provides that, to the fullest extent permitted by law, we will indemnify any officer or director of our company in connection with any threatened, pending or completed action, suit or proceeding to which such person is, or is threatened to be made, a party, whether civil or criminal, administrative or investigative, arising out of the fact that the person is or was our director or officer, or served any other enterprise at our request as a director or officer. We will reimburse the expenses, including attorneys' fees, incurred by a person indemnified by this provision in connection with any proceeding, including in advance of its final disposition, to the fullest extent permitted by law. Amending this provision will not reduce our indemnification obligations relating to actions taken before an amendment.

We expect to maintain insurance for our officers and directors against certain liabilities, including liabilities under the Securities Act, under insurance policies, the premiums of which will be paid by us. The effect of these will be to indemnify any officer or director of the Company against expenses, judgments, attorney's fees and other amounts paid in settlements incurred by an officer or director arising from claims against such persons for conduct in their capacities as officers or directors of the Company.

#### **Forum Selection**

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our certificate of incorporation or our bylaws, in each case, as amended from time to time, or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to

the court's having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to the foregoing forum selection provisions.

For risks related to the forum selection provision, see "Risk Factors—Risks Relating to Our Common Stock—Our bylaws designate a state or federal court located within the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a preferred judicial forum for disputes with us or our directors, officers or other employees." and "Risk Factors—Risks Relating to Our Common Stock—We may not achieve the intended benefits of having an exclusive forum provision if it is found to be unenforceable."

#### **Anti-Takeover Effects of Some Provisions**

Some of the provisions of our certificate of incorporation and bylaws (as described above) could make the following more difficult:

- acquisition of control of us by means of a proxy contest or otherwise, or
- removal of our incumbent officers and directors.

These provisions, including our ability to issue preferred stock, are designed to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection will give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us, and that the benefits of this increased protection will outweigh the disadvantages of discouraging those proposals, because negotiation of those proposals could result in an improvement of their terms.

#### **Delaware Business Combination Statute**

We have elected to be subject to Section 203 of the Delaware General Corporation Law, which regulates corporate acquisitions. Section 203 prevents an "interested stockholder," which is defined generally as a person owning 15% or more of a corporation's voting stock, or any affiliate or associate of that person, from engaging in a broad range of "business combinations" with the corporation for three years after becoming an interested stockholder unless:

- the board of directors of the corporation had, prior to the person becoming an interested stockholder, approved either the business combination or the transaction that resulted in the stockholder's becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder's becoming an interested stockholder, that person owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, other than statutorily excluded shares; or
- following the transaction in which that person became an interested stockholder, the business combination is approved by the board of directors of the corporation and holders of at least two-thirds of the outstanding voting stock not owned by the interested stockholder

Under Section 203, the restrictions described above also do not apply to specific business combinations proposed by an interested stockholder following the announcement or notification of designated extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation's directors, if such extraordinary transaction is approved or not opposed by a majority of the directors who were directors prior to any person becoming an

interested stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors.

Section 203 may make it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. Section 203 also may have the effect of preventing changes in our management and could make it more difficult to accomplish transactions which our stockholders may otherwise deem to be in their best interests.

#### **Distributions of Securities**

TopBuild was formed in February 2015 under the name Masco SpinCo Corp., and since its formation, it has not sold any securities, including sales of reacquired securities, new issues (other than to Masco in connection with its formation), securities issued in exchange for property, services or other securities, or new securities resulting from the modification of outstanding securities.

#### **Transfer Agent and Registrar**

We expect our transfer agent and registrar for the common stock will be Computershare Trust Company, N.A.

#### **Listing**

We expect to apply to list our common stock on the NYSE under the symbol "BLD."

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### **The Separation from Masco**

The Separation will be accomplished by Masco distributing all of its shares of TopBuild common stock to holders of Masco common stock entitled to such distribution, as described in the section entitled "The Separation" included elsewhere in this Information Statement. Completion of the Separation will be subject to satisfaction or waiver by Masco of the conditions to the Separation described under "The Separation—Conditions to the Separation."

As part of our Separation, we will enter into a Separation and Distribution Agreement and several other agreements with Masco to effect the Separation and provide a framework for our relationships with Masco after the Separation. See "The Separation—Agreements with Masco" for information regarding these agreements.

### **Related Party Transactions**

As a current operating segment of Masco, we engage in related party transactions with Masco. Those transactions are described in more detail in Note C to the accompanying audited combined financial statements.

#### ***Related Party Transaction Policy***

We expect that our board of directors will adopt a related person transactions policy prior to the completion of the Separation that will require our board of directors or a committee of independent directors to approve or ratify any transaction involving us in which any director, director nominee, executive officer, 5% beneficial owner or any of their immediate family members has a direct or indirect material interest. This policy will cover financial transactions, or any series of similar transactions, including indebtedness and guarantees of indebtedness, as well as transactions involving employment, but will exclude transactions determined by our board of directors or a committee of independent directors not to involve a material interest of the related person, such as ordinary course of business transactions of \$120,000 or less and transactions in which the related person's interest is derived solely from service as a director of another entity or ownership of less than 10% of another entity's stock. The policy will require directors, director nominees and executive officers to provide prompt written notice to the Secretary of any related transaction so it can be reviewed by our board of directors or a designated committee of our board of directors consisting solely of independent directors to determine whether the related person has a direct or indirect material interest. If our board of directors or such committee determines this is the case, our board of directors or such committee will consider all relevant information to assess whether the transaction is in, or not inconsistent with, our best interests and the best interests of our stockholders. Our board of directors will annually review this policy and make changes as appropriate.



## **WHERE YOU CAN FIND MORE INFORMATION**

We have filed a registration statement on Form 10 with the SEC with respect to the shares of our common stock being distributed in the Separation as contemplated by this Information Statement. This Information Statement is a part of, and does not contain all of the information set forth in, the registration statement and the exhibits and schedule to the registration statement. For further information with respect to our company and our common stock, please refer to the registration statement, including its exhibits and schedule. Statements made in this information statement relating to any contract or other document are not necessarily complete, and you should refer to the exhibits attached to the registration statement for the full text of the actual contract or document. You may review a copy of the registration statement, including its exhibits and schedule, at the SEC's public reference room, located at 100 F Street, N.E., Washington, D.C. 20549, as well as on the Internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Information contained on any website referenced in this information statement is not incorporated by reference into this Information Statement or the registration statement of which this Information Statement is a part.

After the Separation, we will become subject to the information and reporting requirements of the Exchange Act, and, in accordance with the Exchange Act, we will file periodic reports, proxy statements and other information with the SEC. Our future filings will be available from the SEC as described above.

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TOPBUILD CORP.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders  
of Masco Corporation:

In our opinion, the combined financial statements listed in the accompanying index present fairly, in all material respects, the financial position of TopBuild Corp. at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related combined financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan  
March 4, 2015

**TOPBUILD CORP.**  
**COMBINED BALANCE SHEETS**

	At December 31,	
	2014	2013
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,970	\$ 3,020
Receivables, net	220,180	204,510
Inventories	106,970	97,990
Prepaid expenses and other	5,120	5,040
Total current assets	335,240	310,560
Property and equipment, net	93,160	106,350
Goodwill	1,044,040	1,044,040
Other intangible assets, net	2,960	4,130
Other assets	1,030	1,870
Total Assets	\$ 1,476,430	\$ 1,466,950
LIABILITIES and EQUITY		
Current Liabilities:		
Accounts payable	\$ 228,720	\$ 183,780
Accrued liabilities	72,750	72,810
Total current liabilities	301,470	256,590
Deferred income taxes	182,280	165,390
Other liabilities	40,390	42,280
Total Liabilities	524,140	464,260
Commitments and contingencies		
Equity:		
Parent Company investment	952,290	1,002,690
Total Equity	952,290	1,002,690
Total Liabilities and Equity	\$ 1,476,430	\$ 1,466,950

See notes to combined financial statements.

TOPBUILD CORP.

COMBINED STATEMENTS OF OPERATIONS

	For the years ended December 31,		
	2014	2013	2012
	(In thousands)		
Net sales	\$ 1,512,080	\$ 1,411,530	\$ 1,207,890
Cost of sales	1,180,410	1,108,840	974,730
Gross profit	331,670	302,690	233,160
Selling, general and administrative expenses	290,950	278,580	273,090
Charge for litigation settlements	—	—	76,000
Operating profit (loss)	40,720	24,110	(115,930)
Other income (expense), net:			
Interest expense—related party	(12,400)	(13,360)	(13,880)
Other, net	20	30	70
	(12,380)	(13,330)	(13,810)
Income (loss) from continuing operations before income taxes	28,340	10,780	(129,740)
Income tax expense	17,840	22,320	24,640
Income (loss) from continuing operations	10,500	(11,540)	(154,380)
Loss from discontinued operations, net	(1,100)	(1,190)	(37,720)
Net income (loss)	\$ 9,400	\$ (12,730)	\$ (192,100)
<b>Other comprehensive income (loss)</b>			
Currency translation adjustment	—	—	(1,750)
Total comprehensive income (loss)	\$ 9,400	\$ (12,730)	\$ (193,850)

See notes to combined financial statements.

TOPBUILD CORP.

COMBINED STATEMENTS OF CASH FLOWS

	For the years ended December 31,		
	2014	2013	2012
	(In thousands)		
<b>CASH FLOWS FROM (FOR) OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 9,400	\$ (12,730)	\$ (192,100)
Depreciation and amortization	26,080	27,490	29,640
Deferred income taxes	16,710	21,600	40,530
Loss on disposition of discontinued operations, net	—	—	6,330
Stock-based compensation	3,760	3,900	4,050
Other items, net	280	530	(1,690)
Increase in receivables	(15,670)	(22,240)	(19,980)
Increase in inventories	(8,980)	(12,630)	(8,790)
Increase in accounts payable and accrued liabilities, net	40,280	18,750	40,090
Net cash from (for) operating activities	<u>71,860</u>	<u>24,670</u>	<u>(101,920)</u>
<b>CASH FLOWS FROM (FOR) FINANCING ACTIVITIES:</b>			
Net transfer (to) from Parent Company	(60,650)	(18,120)	112,920
Net cash (for) from financing activities	<u>(60,650)</u>	<u>(18,120)</u>	<u>112,920</u>
<b>CASH FLOWS FROM (FOR) INVESTING ACTIVITIES:</b>			
Capital expenditures	(13,140)	(14,010)	(11,280)
Proceeds from disposition of:			
Property and equipment	1,000	280	1,110
Businesses	—	—	7,360
Other, net	880	(540)	(850)
Net cash for investing activities	<u>(11,260)</u>	<u>(14,270)</u>	<u>(3,660)</u>
<b>CASH AND CASH EQUIVALENTS:</b>			
(Decrease) increase for the year	(50)	(7,720)	7,340
At January 1	3,020	10,740	3,400
At December 31	<u>\$ 2,970</u>	<u>\$ 3,020</u>	<u>\$ 10,740</u>

See notes to combined financial statements.

TOPBUILD CORP.

COMBINED STATEMENTS OF EQUITY

	For the years ended December 31,		
	Total	Parent Company Investment	Accumulated Other Comprehensive Income
	(In thousands)		
<b>Balance, January 1, 2012</b>	\$ 1,103,650	\$ 1,101,900	\$ 1,750
Total comprehensive loss	(193,850)	(192,100)	(1,750)
Net transfer from Parent Company	116,970	116,970	—
<b>Balance, December 31, 2012</b>	\$ 1,026,770	\$ 1,026,770	\$ —
Total comprehensive loss	(12,730)	(12,730)	—
Net transfer to Parent Company	(11,350)	(11,350)	—
<b>Balance, December 31, 2013</b>	\$ 1,002,690	\$ 1,002,690	\$ —
Total comprehensive income	9,400	9,400	—
Net transfer to Parent Company	(59,800)	(59,800)	—
<b>Balance, December 31, 2014</b>	<u>\$ 952,290</u>	<u>\$ 952,290</u>	<u>\$ —</u>

See notes to combined financial statements.

## TOPBUILD CORP.

### NOTES TO COMBINED FINANCIAL STATEMENTS

#### A. BASIS OF PRESENTATION

On September 30, 2014, Masco Corporation ("Masco," or the "Parent Company") announced strategic initiatives designed to drive shareholder value, including the separation of Masco's Installation and Other Services segment ("Masco's Services Business") into a stand-alone public company to be named TopBuild Corp. ("TopBuild") through a tax-free distribution (referred to as the "Separation"). The Separation will be achieved through the distribution of 100 percent of the outstanding capital stock of TopBuild to holders of Masco Corporation common stock. Immediately following the Separation, Masco Corporation stockholders will own 100 percent of the outstanding shares of common stock of TopBuild. Although the legal transfer of Masco's Services Business to TopBuild has yet to take place, for ease of reference, these combined financial statements are collectively referred to as those of TopBuild or the "Company."

The combined financial statements of TopBuild were prepared, on a stand-alone basis, in connection with the Separation and reflect the combined historical results of operations, financial position and cash flows of Masco's Services Business, including an allocable portion of corporate costs.

We report our business in two segments, Installation and Distribution. Our Installation segment principally includes the sale and installation of insulation and other building products. Our Distribution segment principally includes the distribution of insulation and other building products. Our segments are based on our operating units, for which financial information is regularly evaluated by our corporate operating executives.

#### B. ACCOUNTING POLICIES

**Financial Statement Presentation.** The combined financial statements have been developed in conformity with accounting principles generally accepted in the United States of America. Our financial statements have been derived from the financial statements and accounting records of Masco Corporation using the historical results of operations, and historical basis of assets and liabilities of the Services Business and reflect Masco's net investment in the Services Business. Historically, stand-alone financial statements have not been prepared for the Services Business.

All intercompany transactions between the TopBuild entities have been eliminated. Transactions between TopBuild and Masco, with the exception of purchase transactions, are reflected in equity in the combined balance sheets as "Parent Company investment" and in the combined statements of cash flows as a financing activity in "Net transfer (to) from Parent Company." See Note C for additional information regarding related party transactions.

The accompanying financial statements include allocations of general corporate expenses that were incurred by Masco for functions such as corporate human resources, finance and legal, including salaries, benefits and other related costs. These general corporate expenses were allocated to TopBuild on the basis of revenues. Total allocated general corporate costs were \$22.0 million, \$22.1 million and \$20.9 million for the years ended December 31, 2014, 2013 and 2012, respectively and are included in selling, general and administrative expenses.

Masco incurs certain operating expenses on behalf of the Services Business that are allocated to TopBuild based on direct usage or benefit. These allocated operating expenses were \$17.8 million, \$16.0 million and \$20.7 million for the years ended December 31, 2014, 2013 and 2012, respectively and are included in selling, general and administrative expenses. In TopBuild's reporting segments'



TOPBUILD CORP.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

B. ACCOUNTING POLICIES (Continued)

operating profit (loss), an estimate of these operating expenses are allocated to each reporting segment based on a percentage of sales.

These combined financial statements may not reflect the actual expenses that would have been incurred had we operated as a stand-alone company during the periods presented and may not reflect the combined results of operations, financial position and cash flows had we operated as a stand-alone company during the periods presented. Actual costs that would have been incurred if we had operated as a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

**Use of Estimates and Assumptions in the Preparation of Financial Statements.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

**Revenue Recognition.** We recognize revenue as title to products and risk of loss transfers to customers for our Distribution segment. We recognize revenue for our Installation segment on the percentage of completion method of accounting based on the amount of material installed and associated labor costs at our customers' locations compared to the total expected cost for the contract. The amount of revenue recognized for our Installation segment which had not been billed as of December 31, 2014 and 2013 was \$23.6 million and \$24.2 million, respectively. We recognize estimated reductions to revenue for customer programs and incentive offerings, including special pricing and other volume-based incentives.

**Cash and Cash Equivalents.** We consider all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

**Receivables, net.** We do significant business with a number of customers, principally homebuilders. We monitor our exposure for credit losses on our customer receivable balances and the credit worthiness of our customers on an on-going basis and record related allowances for doubtful accounts. Allowances are estimated based upon specific customer balances, where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical collection, return and write-off activity. During downturns in our markets, declines in the financial condition and creditworthiness of customers impact the credit risk of the receivables involved and we have incurred additional bad debt expense related to customer defaults. Receivables, net are presented net of certain allowances (including allowances for doubtful accounts) of \$6.5 million at both December 31, 2014 and 2013.

**Inventory.** Inventories consist primarily of insulation, garage doors, rain gutters, closet shelving and other products. We value inventory at the lower of cost or market. The cost of inventories is determined by the first in-first out cost method. Inventory value is evaluated at each balance sheet date to ensure that it is carried at the lower of cost or market. As of December 31, 2014 and 2013, all inventory consisted of finished goods.

**Property and Equipment.** Property and equipment, including significant betterments to existing facilities, are recorded at cost. Upon retirement or disposal, the cost and accumulated depreciation are

TOPBUILD CORP.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

B. ACCOUNTING POLICIES (Continued)

removed from the accounts and any gain or loss is included in the combined statements of operations. Maintenance and repair costs are charged against earnings as incurred.

We review our property and equipment as an event occurs or circumstances change that would more likely than not reduce the fair value of the property and equipment below the carrying amount. If the carrying amount is not recoverable from its undiscounted cash flows, then we would recognize an impairment loss for the difference between the carrying amount and the current fair value. Further, we evaluate the remaining useful lives of property and equipment at each reporting period to determine whether events and circumstances warrant a revision to the remaining depreciation periods.

**Depreciation.** Depreciation expense is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and land improvements, 2<sup>1</sup>/<sub>2</sub> to 10 percent, software and company vehicles, 17 percent to 33 percent, and equipment, 5 to 33 percent. Depreciation expense was \$24.9 million, \$26.2 million and \$28.2 million in 2014, 2013 and 2012, respectively.

**Goodwill and Other Intangible Assets.** We perform our annual impairment testing of goodwill in the fourth quarter of each year, or as events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. We have defined our reporting units and completed the impairment testing of goodwill at the operating segment level. Our operating segments are reporting units that engage in business activities, for which discrete financial information, including five-year forecasts, are available. We compare the fair value of the reporting units to the carrying value of the reporting units for goodwill impairment testing. Accounting guidance defines fair value as "the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date." Further, it defines a fair value hierarchy as follows: Level 1 inputs as quoted prices in active markets for identical assets or liabilities; Level 2 inputs as observable inputs other than Level 1 prices, such as quoted market prices for similar assets or liabilities or other inputs that are observable or can be corroborated by market data; and Level 3 inputs as unobservable inputs that are supported by little or no market activity and that are financial instruments whose value is determined using pricing models or instruments for which the determination of fair value requires significant management judgment or estimation. Fair value for our reporting units is determined using a discounted cash flow method, which includes significant unobservable inputs (Level 3 inputs).

Determining market values using a discounted cash flow method requires us to make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates. Our judgments are based upon historical experience, current market trends, consultations with external valuation specialists and other information. In estimating future cash flows, we rely on internally generated five-year forecasts for sales and operating profits, including capital expenditures, and generally utilize a one to three percent long-term assumed annual growth rate of cash flows for periods after the five-year forecast. An impairment loss is recognized to the extent that a reporting unit's recorded goodwill exceeds the implied fair value of goodwill.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. We evaluate the remaining useful lives of amortizable intangible assets at each reporting period to determine whether events and circumstances warrant a revision to the remaining

TOPBUILD CORP.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

**B. ACCOUNTING POLICIES (Concluded)**

periods of amortization. See Note F for additional information regarding Goodwill and Other Intangible Assets.

**Insurance Reserves.** We use a combination of high deductible insurance and matching deductible insurance for a number of risks, including, but not limited to, workers' compensation, general, vehicle and property liabilities. Our workers' compensation insurance is primarily a high-deductible insurance program and our primary general liability insurance is a matching deductible program. We are insured for covered claims above the deductibles and retentions. The liabilities represent our best estimate of our costs, using generally accepted actuarial reserving methods, of the ultimate obligations for reported claims plus those incurred but not reported claims through December 31, 2014 and 2013. The accruals are adjusted as new information develops or circumstances change that would affect the estimated liability.

**Stock-Based Compensation.** TopBuild employees have historically participated in Masco's stock-based compensation plans. Stock-based compensation expense has been allocated to TopBuild based on the awards and options previously granted to TopBuild employees. We measure compensation expense for stock awards at the market price of Masco's common stock at the grant date. Such expense is recognized ratably over the shorter of the vesting period of the stock awards, typically 5 to 10 years, or the length of time until the grantee becomes retirement-eligible at age 65.

We measure compensation expense for stock options using a Black-Scholes option pricing model. We utilize the shortcut method to determine the tax windfall pool associated with stock options.

**Interest and Penalties on Uncertain Tax Positions.** Interest and penalties on our uncertain tax positions, if recorded, are reported in income tax expense.

**Recently Issued Accounting Pronouncements.** In May 2014, the Financial Accounting Standards Board (FASB) issued a new standard for revenue recognition, Accounting Standards Codification 606 (ASC 606). The purpose of ASC 606 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability across industries. ASC 606 is effective for us for annual periods beginning January 1, 2017. We are currently evaluating the impact the adoption of this new standard will have on our combined results of operations.

In April 2014, the FASB issued Accounting Standards Update 2014-8 (ASU 2014-8), "Reporting of Discontinued Operations and Disclosure of Disposals of Components of an Entity," which changes the criteria for determining which disposals can be presented as discontinued operations and modifies the related disclosure requirements. ASU 2014-8 is effective for us beginning January 1, 2015. We do not expect that the adoption will have a significant impact on our combined financial position or results of operations.

**C. RELATED PARTY TRANSACTIONS**

Masco Corporation provides us with certain services, which include the administration of treasury, employee compensation and benefits, public and investor relations, internal audit, corporate tax and legal services. These general corporate expenses incurred by Masco, which have been allocated to TopBuild, based on our sales and totaled \$22.0 million, \$22.1 million and \$20.9 million for the years ended December 31, 2014, 2013 and 2012, respectively. Some of these services will continue to be provided to us on a temporary basis following the Separation. Masco incurs certain operating expenses

**TOPBUILD CORP.**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**C. RELATED PARTY TRANSACTIONS (Concluded)**

on behalf of the Services Business that are allocated to TopBuild based on direct usage or benefit. These allocated operating expenses were \$17.8 million, \$16.0 million and \$20.7 million for the years ended December 31, 2014, 2013 and 2012, respectively and are included in selling, general and administrative expenses. In TopBuild's reporting segments' operating profit (loss), an estimate of these operating expenses are allocated to each reporting segment based on a percentage of sales.

The financial information in these combined financial statements does not necessarily reflect the expenses that would have been incurred had we been a separate stand-alone entity. As such, the financial information herein may not necessarily reflect our combined financial position, results of operations and cash flow in the future or what they would have been had we been a separate, stand-alone entity during the periods presented. Management believes that the methods used to allocate expenses are reasonable.

Masco maintains a centralized treasury function for all U.S. based subsidiaries. Through this centralized treasury function, all of Masco's domestic subsidiaries maintain separate bank accounts with a financial institution. Masco then performs a daily sweep of the cash received from the previous day while at the same time depositing enough money for the outstanding checks expected to clear that same day. Thus, due to the sweep/deposit process, at the end of each day each subsidiary maintains a cash balance of funds received that day.

When Masco funds the disbursement account, there is a corresponding entry recorded to increase Parent Company investment in TopBuild. Similarly, when Masco sweeps available cash from TopBuild, there is a corresponding entry recorded to decrease Parent Company investment in TopBuild.

Historically, interest has been charged each month as an adjustment to Parent Company investment in TopBuild. The combined financial statements reflect an interest expense charge of \$12.4 million, \$13.4 million and \$13.9 million for the years ended December 31, 2014, 2013 and 2012, respectively. The charge was based on the monthly average intercompany balance payable to Masco Corporation based on a 12-month Libor plus two percent.

Transactions between us and Masco Corporation, with the exception of purchase transactions, are reflected in equity in the combined balance sheet as "Parent Company investment" and in the combined statement of cash flows as a financing activity in "Net transfer (to) from Parent Company." TopBuild purchases from Masco businesses aggregated \$6.7 million, \$6.4 million and \$4.7 million, in 2014, 2013 and 2012, respectively, and have been included in cost of sales. The amounts owed to Masco subsidiaries was \$0.6 million and \$0.5 million at December 31, 2014 and 2013, respectively, and have been included in Parent Company investment.

**D. DISCONTINUED OPERATIONS**

The presentation of discontinued operations includes components that we sold, which comprises operations and cash flows that can be clearly distinguished from the rest of the Company. We sold our drywall installation, millwork and framing businesses, which comprised all the businesses being sold, for proceeds aggregating \$7.4 million in 2012. We also discontinued our Canadian distribution business in 2012. We have no continuing involvement in these product lines or businesses.

**TOPBUILD CORP.**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**D. DISCONTINUED OPERATIONS (Concluded)**

Selected financial information for the discontinued operations during the period owned by us, were as follows, in thousands:

	2014	2013	2012
Net sales	\$ —	\$ —	\$ 72,000
Operating loss from discontinued operations	\$ (1,100)	\$ (1,190)	\$ (15,250)
Loss on disposal of discontinued operations, net	—	—	(6,330)
Loss before income tax	\$ (1,100)	\$ (1,190)	\$ (21,580)
Income tax expense	—	—	16,140
Loss from discontinued operations, net	<u>\$ (1,100)</u>	<u>\$ (1,190)</u>	<u>\$ (37,720)</u>

Loss on disposal of discontinued operations, in 2012, includes \$1.8 million of income related to the recognition of deferred currency translation adjustment, due to the disposition of the Canadian business.

**E. PROPERTY AND EQUIPMENT**

	At December 31,	
	2014	2013
	(In thousands)	
Land and improvements	\$ 8,060	\$ 8,090
Software	124,840	119,510
Buildings	39,520	39,840
Equipment	80,810	76,630
Company vehicles	38,960	40,520
	292,190	284,590
Less: Accumulated depreciation	(199,030)	(178,240)
Total	<u>\$ 93,160</u>	<u>\$ 106,350</u>

We lease company vehicles and warehouse facilities, some under noncancellable operating leases. Rental expense recorded in the combined statements of operations totaled approximately \$39.4 million, \$34.0 million and \$29.4 million during 2014, 2013 and 2012, respectively. Future minimum lease payments, including payments to related parties, at December 31, 2014 were approximately as follows: 2015—\$37.0 million; 2016—\$22.3 million; 2017—\$12.8 million; 2018—\$5.2 million; 2019—\$1.6 million; 2020 and beyond—\$0.2 million.

We lease operating facilities from certain related parties, primarily former owners (and in certain cases, current management personnel) of companies acquired. Such leases approximate market value and comprised less than 50 of our leases. Rental expense includes expense to such related parties of approximately \$2.7 million, \$2.7 million and \$3.7 million in 2014, 2013 and 2012, respectively. Future minimum lease payments to related parties (included above), at December 31, 2014 were approximately as follows: 2015—\$1.6 million; 2016—\$0.7 million; 2017—\$0.4 million; 2018—\$0.1 million; 2019 and beyond—\$—million.

**TOPBUILD CORP.**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**E. PROPERTY AND EQUIPMENT (Concluded)**

One of our leased assets is used by our Parent Company, for which they have reimbursed us \$3.8 million, \$0.9 million and \$0.9 million in 2014, 2013 and 2012, respectively. This operating lease contains a guarantee of the residual value. In December 2014 we notified the lessor that we intended to terminate the lease and in accordance with the terms of the agreement the lessor will sell the leased asset to a third party and we will be liable for the difference between the contractual value and the ultimate proceeds from the sale, up to \$7.3 million. Accordingly, a liability of \$2.9 million was established in 2014 for the estimated fair value of this guarantee. Masco has committed to reimburse us for this amount. We anticipate that this leased asset will be disposed in the second quarter of 2015.

**F. GOODWILL AND OTHER INTANGIBLE ASSETS**

There were no changes in the carrying amount of goodwill for 2014 and 2013. The goodwill balances by segment, were as follows, in thousands:

	Gross Goodwill At December 31, 2014	Accumulated Impairment Losses	Net Goodwill At December 31, 2014
Installation	\$ 1,389,750	\$ (762,000)	\$ 627,750
Distribution	416,290	—	416,290
Total	<u>\$ 1,806,040</u>	<u>\$ (762,000)</u>	<u>\$ 1,044,040</u>

	Gross Goodwill At December 31, 2013	Accumulated Impairment Losses	Net Goodwill At December 31, 2013
Installation	\$ 1,389,750	\$ (762,000)	\$ 627,750
Distribution	416,290	—	416,290
Total	<u>\$ 1,806,040</u>	<u>\$ (762,000)</u>	<u>\$ 1,044,040</u>

In the fourth quarters of 2014 and 2013, we completed our annual impairment testing of goodwill and other indefinite-lived intangible assets. The impairment test in 2014 and 2013 indicated there was no impairment of goodwill or other indefinite-lived intangible assets.

Other intangible assets, net includes the carrying value of our definite-lived intangible assets of \$2.6 million (net of accumulated amortization of \$17.2 million) at December 31, 2014 and \$3.7 million (net of accumulated amortization of \$16.0 million) at December 31, 2013. Definite-lived intangible assets principally includes customer relationships and non-compete agreements, with a weighted average amortization period of four years in both 2014 and 2013. Amortization expense related to the definite-lived intangible assets was \$1.2 million, \$1.3 million and \$1.4 million in 2014, 2013 and 2012, respectively.

At December 31, 2014, amortization expense related to the definite-lived intangible assets during each of the next five years was as follows: 2015—\$1.0 million; 2016—\$0.7 million; 2017—\$0.3 million; 2018—\$0.1 million and 2019—\$0.1 million.

TOPBUILD CORP.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

G. ACCRUED LIABILITIES

	At December 31,	
	2014	2013
	(In thousands)	
Salaries, wages and commissions	\$ 24,710	\$ 24,500
Insurance reserves	24,890	31,330
Other	23,150	16,980
Total	<u>\$ 72,750</u>	<u>\$ 72,810</u>

H. OTHER LIABILITIES

	At December 31,	
	2014	2013
	(In thousands)	
Insurance reserves	\$ 39,970	\$ 41,770
Other	420	510
Total	<u>\$ 40,390</u>	<u>\$ 42,280</u>

I. STOCK-BASED COMPENSATION

Masco Corporation's 2014 Long Term Stock Incentive Plan and the prior long-term stock incentive plan (the "Equity Plan") provides for the issuance of stock-based incentives in various forms to employees and non-employee Directors of Masco. At December 31, 2014, outstanding stock-based incentives were in the form of long-term stock awards and stock options.

All awards and options granted under the Equity Plan consist of Masco's common shares and are not necessarily indicative of the expense that TopBuild would have experienced as an independent, publicly-traded company for the periods presented.

Pre-tax compensation expense and the related income tax benefit for these stock-based incentives were as follows, in thousands:

	2014	2013	2012
Long-term stock awards	\$ 3,490	\$ 3,420	\$ 3,280
Stock options	270	480	770
Total	<u>\$ 3,760</u>	<u>\$ 3,900</u>	<u>\$ 4,050</u>
Income tax benefit (39 percent tax rate—before valuation allowance)	<u>\$ 1,470</u>	<u>\$ 1,520</u>	<u>\$ 1,580</u>

Outstanding unvested, long-term stock awards granted to TopBuild employees were 0.5 million, 0.7 million and 0.7 million at December 31, 2014, 2013 and 2012, respectively. The activity related to long-term stock awards was not significant in any period. Such long-term stock awards had a weighted average grant date fair value per share of \$18, \$18 and \$17 in 2014, 2013 and 2012, respectively. At December 31, 2014, 2013 and 2012, there was \$6.7 million, \$8.6 million and \$8.8 million, respectively,

**TOPBUILD CORP.**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**I. STOCK-BASED COMPENSATION (Concluded)**

of total unrecognized compensation expense related to unvested long-term stock awards. The total market value of unvested long-term stock awards at December 31, 2014 (based on Masco's closing stock price at December 31, 2014) was \$13.9 million. The restricted stock awards contain non-forfeitable rights to dividends on unvested shares; such unvested restricted stock awards are considered participating securities in Masco stock.

Outstanding option shares granted to TopBuild employees were 0.6 million, 1.1 million and 1.6 million at December 31, 2014, 2013 and 2012, respectively. Such options had a weighted average exercise price of \$24, \$23 and \$22 per share for 2014, 2013 and 2012, respectively. At December 31, 2014, 2013 and 2012, there was \$-- million, \$0.3 million and \$0.9 million, respectively, of total unrecognized compensation expense (using the Black-Scholes option pricing model for Masco stock) related to unvested stock options. The intrinsic value of unvested stock options at December 31, 2014 (based on Masco's closing stock price at December 31, 2014, less the exercise price) was \$2.5 million.

**J. EMPLOYEE RETIREMENT PLANS**

Masco Corporation provides qualified defined-benefit pension plans for some of its employees. As such, the portion of the TopBuild liability associated with these plans is not reflected in our balance sheet and will not be recorded at the Separation date as this obligation will be maintained and serviced by Masco Corporation, as all future benefit accruals were frozen effective January 1, 2010.

Masco Corporation also provides a defined-contribution retirement plan for substantially all employees. We plan to continue to provide a defined-contribution plan, as of our Separation date. In addition, we participate in 20 regional multi-employer pension plans, principally related to building trades; none of the plans are considered significant.

Pre-tax expense related to our participation in the retirement plans was as follows, in thousands:

	2014	2013	2012
Defined contribution plans	\$ 2,990	\$ 3,100	\$ 2,430
Defined benefit plans	—	30	60
Multi-employer plans	4,520	3,570	3,490
	<u>\$ 7,510</u>	<u>\$ 6,700</u>	<u>\$ 5,980</u>

The Pension Protection Act ("PPA") defines a zone status for multiemployer pension plans. Plans in the green zone are at least 80 percent funded, plans in the yellow zone are at least 65 percent funded and plans in the red zone are generally less than 65 percent funded. We participate in the Carpenters Pension Trust Fund for Northern California ("NCT"), which is our largest multi-employer plan expense and is in the red zone. The NCT has implemented a funding or rehabilitation plan in accordance with government requirements. Our contributions to NCT have not exceeded 1 percent of the total contributions to the plan.

Pension Fund	Employer Identification Number/Plan Number	PPA Zone Status		Funding Plan Pending/ Implemented	Contributions (in thousands)			Surcharge Imposed
		2014	2013		2014	2013	2012	
NCT	94-6050970/001	Red	Red	Yes	\$ 1,480	\$ 1,290	\$ 1,330	No



TOPBUILD CORP.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

K. SEGMENT INFORMATION

Our reportable segments are as follows:

**Installation**—principally includes the sale and installation of insulation and other building products. We provide installation services to homebuilders and other general contractors through our company-owned network of over 190 branches located across 43 states in the United States. We sell primarily into the residential new construction market but have seen increasing activity in both the commercial construction industry and repair/remodel of residential housing. We also install other building products including rain gutters, fireplaces, garage doors, closet shelving and other products.

**Distribution**—principally includes the distribution of insulation and other building products. Our distributed products include insulation, insulation accessories, rain gutters and roofing, among others. Distributed products are sold primarily to contractors and dealers (including lumber yards) from distribution centers in various parts of the United States.

Our segments are based on our operating units, for which financial information is regularly evaluated by our corporate operating executives in determining resource allocation and assessing performance. The key performance metric we use to evaluate our businesses is segment operating profit. Accounting policies for the segments are generally the same as those for the Company. We allocate estimated corporate costs from which each segment receives a direct benefit (such as salaries of corporate employees who directly support the segment) to each segment. For the purposes of segment operating profit (loss), these estimated costs are allocated based on a fixed percentage of each segment's sales. Differences between actual costs incurred and the amounts allocated to our segments are included in "Intercompany eliminations and other adjustments."

Additionally, the intercompany sales from the Distribution segment to the Installation segment are recorded by the Distribution segment with a profit margin and by our Installation segment at cost. The evaluation of Installation segment operating profit (loss) in 2012 excludes the charge for litigation settlements primarily related to the Columbus Drywall litigation. See note M.

The following is a summary of the annual percentage of net sales by product category:

	2014	2013	2012
Insulation	71%	70%	68%
Rain gutters	7%	7%	7%
Garage doors	3%	3%	2%
Roofing material	2%	3%	4%
Other building products	17%	17%	19%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

**TOPBUILD CORP.**

**NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)**

**K. SEGMENT INFORMATION (Concluded)**

Information by segment was as follows, in thousands:

	Net Sales(1)(2)			Operating Profit (Loss)(1)(2)(5)			Assets at December 31,(1)	
	2014	2013	2012	2014	2013	2012	2014	2013
Our operations by segment were:								
Installation	\$ 963,350	\$ 904,570	\$ 744,910	\$ 23,970	\$ 6,160	\$ (36,560)	\$ 904,120	\$ 906,180
Distribution	628,810	578,140	528,330	52,330	46,410	37,120	572,310	560,770
Intercompany eliminations and other adjustments	(80,080)	(71,180)	(65,350)	(13,630)	(6,390)	(19,580)	—	—
Total	<u>\$ 1,512,080</u>	<u>\$ 1,411,530</u>	<u>\$ 1,207,890</u>	<u>\$ 62,670</u>	<u>\$ 46,180</u>	<u>\$ (19,020)</u>	<u>\$ 1,476,430</u>	<u>\$ 1,466,950</u>
General corporate expense, net (3)				(21,950)	(22,070)	(20,910)		
Charge for litigation settlements (4)				—	—	(76,000)		
Operating profit (loss), as reported				40,720	24,110	(115,930)		
Other income (expense), net				(12,380)	(13,330)	(13,810)		
Income (loss) from continuing operations before income taxes				<u>\$ 28,340</u>	<u>\$ 10,780</u>	<u>\$ (129,740)</u>		

	Property Additions(2)			Depreciation and Amortization(2)		
	2014	2013	2012	2014	2013	2012
Our operations by segment were:						
Installation	\$ 9,270	\$ 10,510	\$ 8,080	\$ 22,560	\$ 23,930	\$ 25,740
Distribution	3,870	3,500	3,200	3,520	3,560	3,900
Total	<u>\$ 13,140</u>	<u>\$ 14,010</u>	<u>\$ 11,280</u>	<u>\$ 26,080</u>	<u>\$ 27,490</u>	<u>\$ 29,640</u>

- (1) All of our operations are located in the United States.
- (2) Net sales, operating profit (loss), property additions and depreciation and amortization expense for 2012 excluded the results of businesses reported as discontinued operations in 2012.
- (3) General corporate expense, net included those expenses not specifically attributable to our segments.
- (4) Charge for litigation settlements primarily relates to the Columbus Drywall case in our Installation segment. See note M.
- (5) Intercompany eliminations include the elimination of intercompany profit of \$(14.1) million, \$(11.2) million and \$(10.0) million in 2014, 2013 and 2012, respectively. Other adjustments of \$0.5 million, \$4.8 million and \$(9.6) million in 2014, 2013 and 2012, respectively, primarily include the difference between the estimated corporate costs from which each segment receives a direct benefit and the actual costs incurred for the period, as well as adjustments for insurance reserves managed by Parent Company.

TOPBUILD CORP.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

L. INCOME TAXES

	2014	2013	2012
	(In thousands)		
Income (loss) from continuing operations before income taxes:			
U.S	\$ 28,340	\$ 10,780	\$ (129,740)
Income tax expense (benefit) on income (loss) from continuing operations:			
Currently payable:			
U.S. Federal	\$ (30)	\$ (20)	\$ (20)
State and local	1,160	740	270
Deferred:			
U.S. Federal	14,940	19,110	20,050
State and local	1,770	2,490	4,340
	<u>\$ 17,840</u>	<u>\$ 22,320</u>	<u>\$ 24,640</u>
Deferred tax assets at December 31:			
Receivables	\$ 2,560	\$ 2,660	
Inventories	2,100	2,010	
Other assets, principally stock-based compensation	5,430	5,350	
Accrued liabilities	11,590	14,950	
Long-term liabilities	26,160	26,500	
Net operating loss carryforward	434,090	432,620	
	481,930	484,090	
Valuation allowance	(454,610)	(452,600)	
	<u>27,320</u>	<u>31,490</u>	
Deferred tax liabilities at December 31:			
Property and equipment	15,320	20,830	
Intangibles	191,740	174,180	
Other	1,630	1,150	
	<u>208,690</u>	<u>196,160</u>	
Net deferred tax liability at December 31	<u>\$ 181,370</u>	<u>\$ 164,670</u>	

We applied a method that allocated current and deferred taxes to the members of TopBuild as if it were a separate taxpayer.

At December 31, 2014 and 2013, the net deferred tax liability consisted of net short-term deferred tax assets included in prepaid expenses and other of \$0.9 million and \$0.7 million, respectively, and net long-term deferred tax liabilities of \$182.3 million and \$165.4 million, respectively.

The deferred portion of the state and local taxes includes a \$(2.0) million, \$0.8 million and \$12.3 million tax (benefit) expense resulting from a change in the valuation allowance against state and local deferred tax assets in 2014, 2013 and 2012, respectively.

## NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

## L. INCOME TAXES (Continued)

The accounting guidance for income taxes requires that the future realization of deferred tax assets depends on the existence of sufficient taxable income in future periods. Possible sources of taxable income include taxable income in carryback periods, the future reversal of existing taxable temporary differences recorded as a deferred tax liability, tax-planning strategies that generate future income or gains in excess of anticipated losses in the carryforward period and projected future taxable income.

If, based upon all available evidence, both positive and negative, it is more likely than not (more than 50 percent likely) such deferred tax assets will not be realized, a valuation allowance is recorded. Significant weight is given to positive and negative evidence that is objectively verifiable. A company's three-year cumulative loss position is significant negative evidence in considering whether deferred tax assets are realizable and the accounting guidance restricts the amount of reliance we can place on projected taxable income to support the recovery of the deferred tax assets.

We have recorded a valuation allowance against our U.S. Federal and certain state deferred tax assets as a non-cash charge to income tax expense. In reaching this conclusion, we considered the significant decline in residential new construction, high level of foreclosure activity and the slower than anticipated recovery in the U.S. housing market which led to U.S. operating losses, causing us to be in a three-year cumulative U.S. loss position.

During 2010, 2011 and 2012, objective and verifiable negative evidence, such as continued U.S. operating losses and significant impairment charges for U.S. goodwill in 2010, continued to outweigh positive evidence necessary to reduce the valuation allowance. As a result, we recorded increases in the valuation allowance against our U.S. Federal and certain state deferred tax assets as a non-cash charge to income tax expense in 2010, 2011 and 2012.

A return to sustainable profitability in the U.S. is required before we would change our judgment regarding the need for a valuation allowance against our deferred tax assets.

Although the recent strengthening in residential new construction activity has resulted in profitability in our U.S. operations in 2013 and 2014, we continue to record a full valuation allowance against the U.S. Federal and certain state deferred tax assets as we remained in a three-year cumulative loss position throughout 2013 and 2014.

It is reasonably possible that the continued improvements in our U.S. operations could result in the objective positive evidence necessary to warrant the reversal of all or a portion of the valuation allowance by the end of 2015. Until such time, the profits from our U.S. operations will be offset by the net operating loss carryforward.

We file our tax returns as a member of the Masco consolidated group for federal and certain state jurisdictions. As a result, certain tax attributes, primarily the net operating loss carryforward, are treated as an asset of the Masco group and may be utilized by the Masco group through the end of December 31, 2015, Masco's tax year end. It is anticipated a significant portion and possibly all of our U.S. Federal net operating loss carryforward will be utilized by the Masco consolidated group.

The \$27.3 million and \$31.5 million of deferred tax assets at December 31, 2014 and 2013, respectively, for which there is no valuation allowance recorded, is anticipated to be realized through the future reversal of existing taxable temporary differences recorded as deferred tax liabilities.

TOPBUILD CORP.

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

L. INCOME TAXES (Concluded)

Of the deferred tax asset related to the net operating loss at December 31, 2014, \$434.1 million will expire between 2020 and 2034. Of the deferred tax asset related to the net operating loss at December 31, 2013, \$432.6 million will expire between 2020 and 2033.

The tax benefit from certain stock-based compensation is not recognized as a deferred tax asset until the tax deduction reduces cash taxes. Accordingly, as of December 31, 2014, we have not recorded a \$6.3 million deferred tax asset on additional net operating losses that, when realized, will be recorded to equity.

A reconciliation of the U.S. Federal statutory tax rate to the income tax expense (benefit) on income (loss) from continuing operations was as follows:

	2014	2013	2012
U.S. Federal statutory tax rate—expense (benefit)	35%	35%	(35)%
State and local taxes, net of U.S. Federal tax benefit	7	19	2
U.S. Federal valuation allowance	20	150	52
Other, net	1	3	—
Effective tax rate—expense	63%	207%	19%

Income taxes paid were \$1.1 million, \$0.7 million and \$0.3 million in 2014, 2013 and 2012, respectively.

We file income tax returns in the U.S. Federal jurisdiction, and various state and local jurisdictions. We, as a member of the Masco consolidated group, participate in the Compliance Assurance Program ("CAP"). CAP is a real-time audit of the U.S. Federal income tax return that allows the Internal Revenue Service ("IRS"), working in conjunction with Masco, to determine tax return compliance with the U.S. Federal tax law prior to filing the return. This program provided us with greater certainty about our tax liability for a given year within months, rather than years, of filing the annual tax return and greatly reduces the need for recording a liability for U.S. Federal uncertain tax positions. The IRS has completed their examination of the Masco consolidated U.S. Federal tax return in which we were included through 2013. With few exceptions, we are no longer subject to state income tax examinations on filed returns for years before 2009.

M. OTHER COMMITMENTS AND CONTINGENCIES

**Litigation.** We are subject to claims, charges, litigation and other proceedings in the ordinary course of our business, including those arising from or related to contractual matters, intellectual property, personal injury, environmental matters, product liability, product recalls, construction defect, insurance coverage, personnel and employment disputes, antitrust issues and other matters, including class actions. We believe we have adequate defenses in these matters and that the likelihood that the outcome of these matters would have a material adverse effect on us is remote. However, there is no assurance that we will prevail in these matters, and we could in the future incur judgments, enter into settlements of claims or revise our expectations regarding the outcome of these matters, which could materially impact our results of operations.

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**NOTES TO COMBINED FINANCIAL STATEMENTS (Concluded)**

**M. OTHER COMMITMENTS AND CONTINGENCIES (Concluded)**

In July 2012, Masco reached a settlement agreement related to the Columbus Drywall litigation. Masco and its insulation installation companies named in the suit agreed to pay \$75 million in return for dismissal with prejudice and full release of all claims. Masco and its insulation installation companies denied that the challenged conduct was unlawful and admitted no wrongdoing as part of the settlement. A settlement was reached to eliminate the considerable expense and uncertainty of this lawsuit. We recorded the settlement expense in the second quarter of 2012 and the amount was paid in the fourth quarter of 2012. In addition, we settled a related case in 2012 for \$1 million.

**Other Matters.** We enter into contracts, which include customary indemnifications that are standard for the industries in which we operate. Such indemnifications include customer claims against builders for issues relating to our products and workmanship. In conjunction with divestitures and other transactions, we occasionally provide customary indemnifications relating to various items including: the enforceability of trademarks; legal and environmental issues; and asset valuations. We evaluate the probability that amounts may be incurred and appropriately record an estimated liability when probable.

We occasionally use performance bonds to ensure completion of our work on certain larger customer contracts that can span multiple accounting periods. As of December 31, 2014 and 2013, we had performance bonds outstanding, totaling \$14.1 million and \$11.9 million, respectively. Performance bonds generally do not have stated expiration dates; rather, we are released from the bonds as the contractual performance is completed. In addition, at December 31, 2014 and 2013, respectively, we had \$5.4 million and \$5.2 million of other types of bonds outstanding, principally license-related.

**N. SUBSEQUENT EVENTS**

In connection with the preparation of the combined financial statements and in accordance with GAAP the Company evaluated subsequent events after the balance sheet date of December 31, 2014 through the date these financial statements were issued on March 4, 2015.

**TOPBUILD CORP.**  
**SCHEDULE II. VALUATION AND QUALIFYING ACCOUNTS**

Column A	For the years ended December 31, 2014, 2013 and 2012				
	Column B	Column C	Column D	Column E	Balance at End of Period
	Balance at Beginning of Period	Charged to Costs and Expenses	(In thousands)	Deductions	
			Additions		
			Charged to Other Accounts		
Description					
Allowances for doubtful accounts, deducted from accounts receivable in the balance sheet:					
2014	\$ 4,580	\$ 3,560	\$ —	\$ (4,180)(a)	\$ 3,960
2013	\$ 4,880	\$ 3,380	\$ —	\$ (3,680)(a)	\$ 4,580
2012	\$ 9,850	\$ 2,680	\$ —	\$ (7,650)(a)	\$ 4,880
Valuation allowance on deferred tax assets:					
2014	\$ 452,600	\$ 3,950	\$ (1,940)(b)	\$ —	\$ 454,610
2013	\$ 436,380	\$ 16,990	\$ (770)(b)	\$ —	\$ 452,600
2012	\$ 344,260	\$ 101,670(c)	\$ (9,550)(d)	\$ —	\$ 436,380

- (a) Deductions, representing uncollectible accounts written off, less recoveries of accounts written off in prior years.
- (b) Valuation allowance on deferred tax assets recorded primarily in equity.
- (c) Includes a \$22.4 million charge to tax expense allocated to discontinued operations.
- (d) Write off of a \$8.2 million deferred tax asset on certain net operating loss carryforward against the valuation allowance, as we determined that there was only a remote likelihood that such a carryforward could be utilized; and \$1.4 million valuation allowance on deferred tax assets recorded primarily in equity.

